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# MONTHLY ECONOMIC INDICATORS

## October 1999

### HIGHLIGHTS

- ★ *A surge in employment lowers the national unemployment rate to 7.5% in September, a nine-year low.*
- ★ *Output posts its biggest gain of the year in July, boosted by sharply-higher production in Manufacturing.*
- ★ *The trade surplus rises to a 2½-year high in July, as export growth outpaces that of imports.*
- ★ *Inflation rises above 2% in August, boosted by a sharp rise in energy prices.*
- ★ *Higher commodity prices support a rally in the Canadian dollar through much of September.*
- ★ *Fears of an interest rate hike push up interest rates early in October.*

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	748.7	0.4	4.6	July
Goods	248.0	0.6	6.0	July
Services	500.7	0.3	3.9	July
Composite Index	215.7	0.2	4.0	Aug
Employment (000's)	14,737	0.4	2.4	Sept
Full-time	12,033	0.6	3.2	Sept
Part-time	2,704	-0.3	-1.1	Sept
Unemployment* (%)	7.5	7.8	8.3	Sept
Youth*	14.5	13.7	14.7	Sept
Adult*	6.2	6.6	7.0	Sept
CPI inflation*	2.1	1.8	0.8	Aug
Retail Sales (\$M)	21,737	1.3	5.5	July
Housing Starts (000's)	152.7	3.7	13.4	Sept
Trade Balance* (\$M)	3,174	2,746	1,849	July
Exports	30,037	1.8	15.8	July
Imports	26,863	0.3	11.5	July
M&E	8,942	-1.0	5.4	July
3-mth Corp. paper* (%)	5.00	4.87	5.38	Oct 6
Long bond yield* (%)	6.05	5.68	5.32	Oct 6
Canadian dollar* (US¢)	67.98	68.15	65.31	Oct 8

\*Data in levels only – % change not reported.

**This issue's Special Report:  
Canada's Tourism Industry**

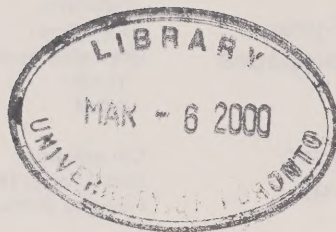
The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).



Industry  
Canada

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Canada

Canada





# MONTHLY ECONOMIC INDICATORS

## October 1999

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This report uses data available as of October 8, 1999. It has been prepared by Marianne Blais, Joe Macaluso, Alison McDermott, André Patry and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. The special report in this issue on Canada's tourism industry was prepared by Shauna Martin. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).







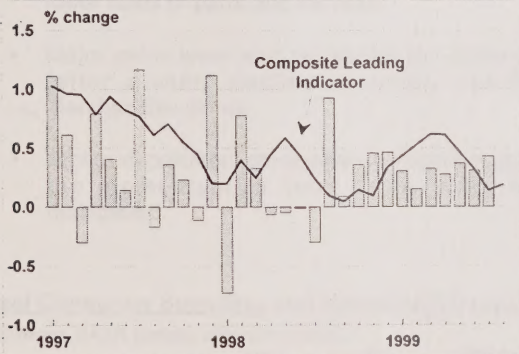
### *Real GDP posts its sharpest gain this year...*

- Real GDP at factor cost increased 0.4% in July, the twelfth consecutive monthly increase and the longest stream of uninterrupted growth in over a decade. The July advance represents the strongest growth so far this year.

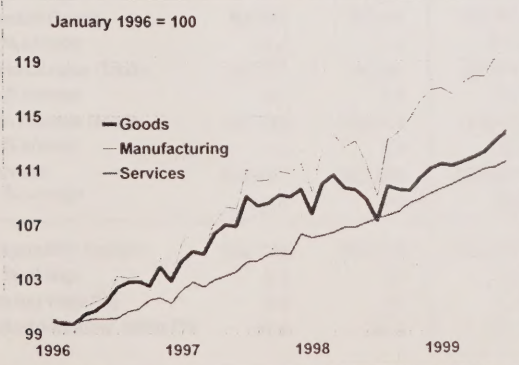
### *...led by a surge in Manufacturing and widespread gains in Services*

- Goods-producing industries advanced 0.6% overall in July. Broad-based gains in Manufacturing (+0.8%) accounted for more than one-third of this gain, with 16 of 22 major industry groups increasing production. Warm weather boosted electricity use and residential building activity remained strong, offsetting declines elsewhere in the Goods sector. Mining output fell despite higher production in the oil & gas sector.
- Output in the Services-producing industries rose 0.3% in July, keeping pace with gains in the previous months of this year. Major gains by retailers (boosted by strong demand for cars and trucks), and wholesalers (driven mainly by sales of computers and software), led the growth in Services. Business services posted yet another solid increase, fuelled by growth in computer and consulting services.

**Real GDP at Factor Cost**



**Real GDP by major sector**



**Real GDP at Factor Cost (1992 dollars)**

July 1999	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	748,676	3,194	0.4	4.6
Business sector	619,933	3,151	0.5	5.5
Goods	248,033	1,497	0.6	6.0
Agriculture	13,028	-13	-0.1	1.5
Fishing & Trapping	778	-42	-5.1	-4.5
Logging & Forestry	4,316	43	1.0	5.1
Mining*	25,801	-102	-0.4	-5.8
Manufacturing	136,950	1,111	0.8	10.1
Construction	41,313	108	0.3	3.8
Other Utilities	25,847	392	1.5	4.6
Services	500,643	1,697	0.3	3.9
Transport & Storage	34,858	-38	-0.1	4.8
Communications	26,274	251	1.0	13.5
Wholesale Trade	46,679	369	0.8	12.7
Retail Trade	46,574	428	0.9	3.5
Finance & Insurance	41,413	136	0.3	1.7
Real Estate & Ins. Agent	79,330	26	0.0	2.3
Business services	43,711	395	0.9	8.8
Government services	45,760	163	0.4	2.6
Education	40,407	38	0.1	-0.3
Health & Social Services	46,497	-134	-0.3	-1.6
Accommodation & Food	19,512	-38	-0.2	0.3
Other	29,628	101	0.3	2.2

\*Includes Quarrying and Crude Petroleum & Natural Gas





## Consumer Spending and Attitudes



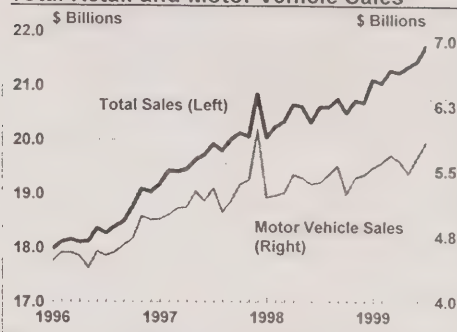
### Growth in consumer spending moderates in the second quarter...

- Real consumption rose 3.0% (annual rate) in the second quarter, down from growth of 4.2% in the first quarter. Strong spending on services more than offset weaker expenditures on goods.
- Disposable income increased by 2.6% in the quarter, failing once again to keep pace with higher spending. As a result, the saving rate fell to 1.4% – the lowest on record – while the household debt-to-income ratio rose to a record 100.2%.

### ...but retail sales rise sharply in July

- Total retail sales increased 1.3% in July, the strongest growth in six months. Gains were widespread as sales increased in five of the seven major groups. Nearly two-thirds of the advance was in the Automotive sector, as higher sales of new motor vehicles and higher gasoline prices more than offset lower sales of parts and services.
- Major gains were also registered by Clothing stores (after a sharp decline in June), and General Merchandise stores.
- Higher department store sales in August suggest that the momentum in total retail sales may be maintained.

### Total Retail and Motor Vehicle Sales



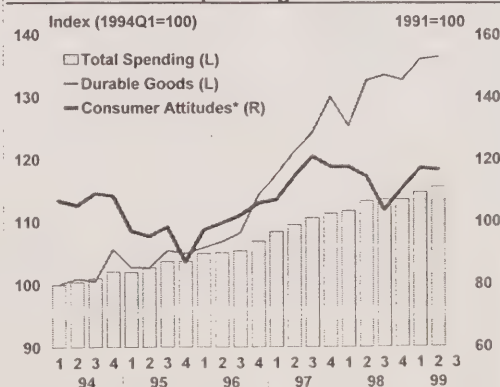
### Retail Sales and Consumer Credit

	July 1999	% Change since	
		last month	last year
	\$ millions		
Total Retail Sales (S.A.)	21,737	1.3	5.5
Food	4,885	-0.0	0.9
Drug Stores	1,121	0.8	2.4
Clothing	1,212	3.1	3.9
Furniture	1,154	-0.3	7.8
Automotive	8,469	2.0	7.4
General Merch. Stores	2,535	2.1	8.5
All other Stores	2,361	0.5	6.6
Total ex. motor vehicles	15,905	0.7	4.4
Consumer Credit (unadjusted)	164,928	0.7	7.2

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)		1999 Q1	1999 Q2
	1997	1998		
Real Consumption (92%)	472,867	485,906	493,244	496,868
% change	4.2	2.8	4.2	3.0
Durable Goods	62,823	66,801	69,360	69,524
% change	13.3	6.3	10.5	0.9
Semi-Durable Goods	44,334	46,526	47,096	47,296
% change	4.3	4.9	4.9	1.7
Non-Durable Goods	118,293	119,521	120,952	121,180
% change	1.3	1.0	4.2	0.8
Services	247,417	253,058	255,836	258,868
% change	3.4	2.3	2.6	4.8
Disposable Income	534,728	552,778	562,680	566,368
% change	3.1	3.4	3.1	2.6
Saving Rate (%)	2.8	2.3	1.9	1.4
Debt-to-Income Ratio (%)	96.4	98.3	99.6	100.2

### Real Consumer Spending and Attitudes



\*Conference Board of Canada





# THE ECONOMY

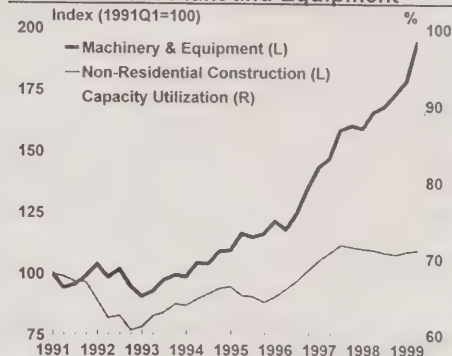
## Business Investment in Plant and Equipment



### Business investment surges in the second quarter...

- Business investment in M&E grew 40.5% (annual rate) in the second quarter, the highest increase since 1991. Growth was widespread, although purchases of computers related to the Y2K compliance were an important factor behind this strong investment performance.
- Higher building construction resulted in growth of 1.5% in Non-residential Construction. Engineering construction fell in the second quarter due to reduced oil and gas drilling.

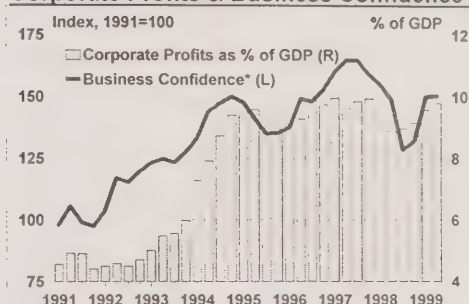
### Investment in Plant and Equipment



### ...but this momentum is likely to ease in the third quarter

- Lower spending on commercial and industrial projects led to a decline in non-residential construction in July.
- Moreover, imports of M&E decreased 1.0%, following three monthly increases. Lower imports of airplanes and machinery by automobile manufacturers are partly responsible for this drop.

### Corporate Profits & Business Confidence



\*Conference Board of Canada

### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1997	1998	1998 Q3	1998 Q4	1999 Q1	1999 Q2
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1992\$)</b>	59,112	64,701	65,308	67,284	69,320	75,464
% change	22.2	9.5	5.9	12.7	12.7	40.5
<b>Non-residential Construction (1992\$)</b>	39,079	39,110	38,932	38,696	39,128	39,272
% change	14.0	0.1	-3.8	-2.4	4.5	1.5
<b>Capacity Utilization (% Non-farm goods)</b>	83.2	82.7	81.8	82.6	83.3	83.8
Capacity Utilization (Mfg. sector)	83.6	83.8	82.5	84.8	85.5	86.2
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>			NOTE: Statistics Canada is making significant changes to the Quarterly Survey of Financial Statistics for Enterprises. For this reason, data are preliminary and may be subject to significant revision.			
% change						
Profits - Non-financial industries						
% change						
Profits - Financial industries						
% change						
<b>Business Credit</b>	625,859	688,937	699,279	705,050	711,760	713,830
% change	9.3	10.1	10.2	3.3	3.9	1.2



# THE ECONOMY

## Housing



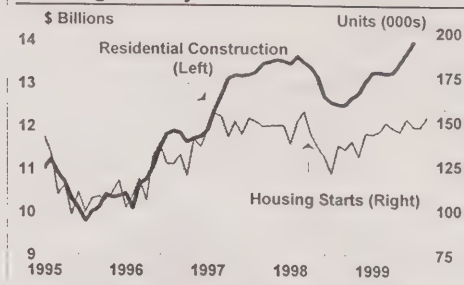
### Residential investment rebounds in the first half of the year...

- Residential investment advanced 15.4% (annual rate) in the second quarter, following an 18.6% rise in the first quarter. Strong increases in the first half of this year follow a period of sustained weakness in 1998.
- All major components of residential investment registered significant gains. Sales of existing homes were particularly strong, but new housing construction and renovation activity were also up.

### ...and this momentum continues in the third quarter

- Residential construction increased 1.8% in July, the ninth advance in the last ten months.
- Despite a decline in the value of building permits in August (the first decline in four months), permits are running well above year-ago levels.
- Sales of existing homes have fallen in both July and August. However, the number of housing starts increased in September, leading to a 1.7% increase overall in the third quarter.
- Despite this mixed data, solid economic activity and improving labor market conditions should help sustain the strong housing market in the third quarter.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since last month	Change since last year
Residential Construction (1) (\$92M, factor cost basis)	13,979	1.8%	11.2%
Building Permits, \$M (2)	1,663	-4.2%	11.4%
Sales of Existing Homes (2) (# of units)	20,200	-311	
Housing Starts, # of units (3)	152,700	5,500	18,100
Newfoundland	800	-100	-400
Prince Edward Island	300	0	100
Nova Scotia	2,300	1,000	-800
New Brunswick	2,100	400	900
Quebec	27,100	10,500	9,200
Ontario	60,500	-1,500	12,000
Manitoba	1,500	-500	-800
Saskatchewan	3,100	700	200
Alberta	18,800	-5,800	-1,400
British Columbia	13,800	800	-3,600

1 - July data; 2 - August data; 3 - September data.  
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

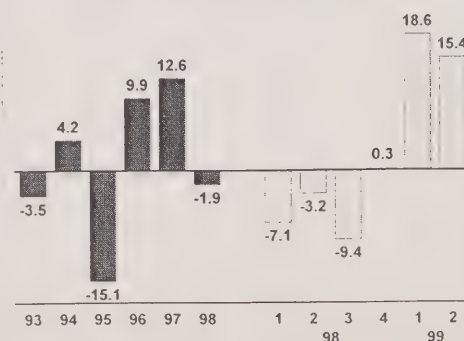
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1997	1998	1999 Q1	1999 Q2
Residential Construction	42,348	41,547	42,760	44,316
% change	12.6	-1.9	18.6	15.4
Construction by Business sector	42,223	41,422	42,632	44,188
% change	12.6	-1.9	18.6	15.4
New Housing	21,441	20,695	21,436	21,916
% change	19.5	-3.5	22.6	9.3
Alterations & Improvements	13,315	13,645	14,104	14,356
% change	7.2	2.5	16.6	7.3
Ownership & Transfer Costs	7,592	7,207	7,220	8,044
% change	4.5	-5.1	11.4	54.1

### Growth in Real Residential Construction

% change, SAAR







# THE ECONOMY

## Trade and Competitiveness



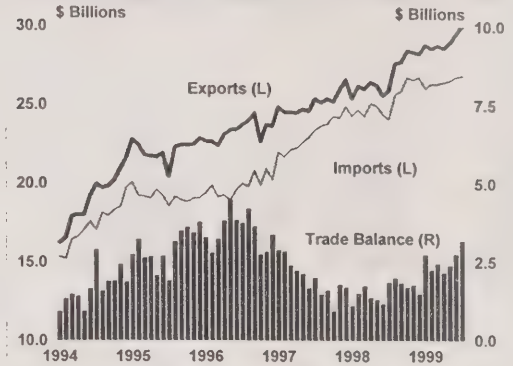
### Export growth outpaces that for imports...

- Exports surged 1.8% in July, keeping pace with the previous month's solid gain. Strong increases in exports of Forestry and Energy Products were the major contributors to this healthy growth. Exports of M&E also grew significantly, due to growing sales of computer and controlling equipment. Automotive Products posted a decline but are up strongly on a year-over-year basis.
- Merchandise imports rose 0.3% in July. Most categories recorded modest increases, with the exception of Energy Products and M&E which experienced declines (the latter following three consecutive monthly increases).

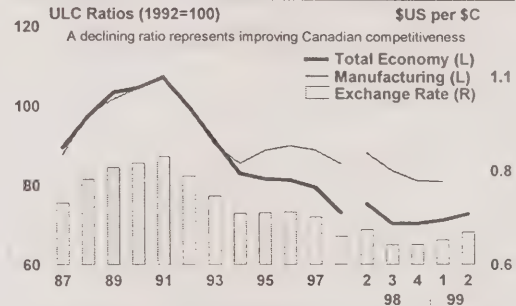
### ...pushing up the trade surplus to a 2 1/2 year high

- The merchandise trade surplus increased \$0.4 billion to \$3.2 billion in July, its highest monthly level since December 1996. This improvement was based solely on trade with the United States.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

### Merchandise Trade

July 1999	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	1999 June	1999 July	1998 Jan-July	1999 Jan-July	June to July 1999	June to July 1999	
<b>Exports</b>	<b>29,516</b>	<b>30,037</b>	<b>181,836</b>	<b>203,298</b>	<b>521</b>	<b>1.8</b>	<b>15.8</b>
to United States	25,297	26,137	150,259	174,694	840	3.3	20.3
<b>Imports</b>	<b>26,771</b>	<b>26,863</b>	<b>171,771</b>	<b>185,394</b>	<b>92</b>	<b>0.3</b>	<b>11.5</b>
from United States	20,329	20,708	131,719	142,573	379	1.9	12.6
<b>Trade Balance</b>	<b>2,745</b>	<b>3,174</b>	<b>10,065</b>	<b>17,904</b>	<b>429</b>		
with United States	4,968	5,429	18,540	32,121	461		
<b>Exports by Commodity</b>							
Agriculture/Fishing Products	2,159	2,167	14,517	14,746	8	0.4	9.2
Energy Products	2,421	2,652	13,978	15,273	231	9.5	25.0
Forestry Products	3,144	3,423	20,181	22,298	279	8.9	18.0
Industrial Goods & Materials	4,718	4,677	33,816	32,384	-41	-0.9	-3.4
Machinery & Equipment	7,035	7,249	45,304	48,035	214	3.0	4.1
Automotive Products	7,781	7,595	40,534	54,775	-186	-2.4	51.7
Other Consumer Goods	1,139	1,126	7,005	7,939	-13	-1.1	5.6
<b>Imports by Commodity</b>							
Agriculture/Fishing Products	1,445	1,467	9,902	10,278	22	1.5	1.6
Energy Products	842	798	5,198	5,152	-44	-5.2	31.7
Forestry Products	224	229	1,432	1,562	5	2.2	10.1
Industrial Goods & Materials	4,987	5,042	34,607	35,168	55	1.1	0.1
Machinery & Equipment	9,033	8,942	57,354	61,776	-91	-1.0	5.4
Automotive Products	6,208	6,270	36,783	43,157	62	1.0	42.1
Other Consumer Goods	3,032	3,078	19,435	21,168	46	1.5	6.0





# LABOUR MARKET TRENDS

## Employment and Unemployment



### A big employment gain in September...

- Employment increased by 64,000 in September, the biggest monthly gain since last January.
- September's job growth was all in full-time work (+73,000), as part-time employment decreased. On a year-over-year basis, full-time employment was up 3.2% while part-time employment fell 1.1%.
- Adult employment was up 37,000 on the month, with gains for both men and women. Youth employment rose by 27,000, more than offsetting a drop in the previous month.

### ...lowers the unemployment rate to a nine-year low

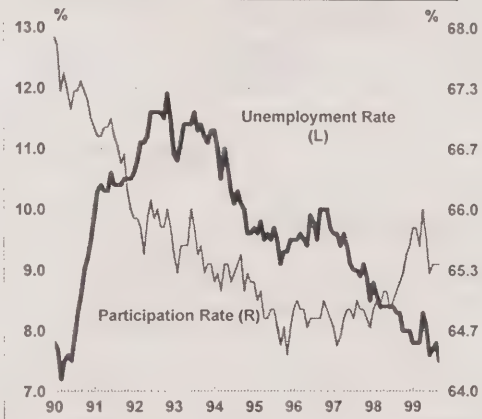
- Job gains drove the national unemployment rate down 0.3 percentage points to 7.5% in September, its lowest level since June 1990.
- With only a modest rise in the labour force, the participation rate held steady at 65.4%, the same as in the previous two months but below April's 66.0% rate.
- Despite a sharp job gain, the youth unemployment rate jumped up 0.8 percentage points to 14.5% due to an even larger increase in the labour force. The adult unemployment rate fell 0.4 points to 6.2% in September.

### Employment

Monthly change in thousands



### Unemployment Rate



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1998 September	1999 August	1999 September	last month	last year	year-to- date	last month	last year
Employment	14,391.1	14,672.8	14,736.6	63.8	345.5	173.2	0.4	2.4
Full-time	11,656.2	11,959.8	12,032.6	72.8	376.4	222.9	0.6	3.2
Part-time	2,734.9	2,713.0	2,704.0	-9.0	-30.9	-49.7	-0.3	-1.1
Youth 15-24	2,143.8	2,177.4	2,203.9	26.5	60.1	22.4	1.2	2.8
Adult 25+	12,247.3	12,495.4	12,532.8	37.4	285.5	150.9	0.3	2.3
Self-employed	2,584.5	2,541.0	2,529.0	-12.0	-55.5	-60.6	-0.5	-2.1
Unemployment	1,296.7	1,233.1	1,195.2	-37.9	-101.5	-77.0	-3.1	-7.8
Unemployment Rate	8.3	7.8	7.5	-0.3	-0.8	-0.5		
Youth 15-24	14.7	13.7	14.5	0.8	-0.2	0.1		
Adult 25+	7.0	6.6	6.2	-0.4	-0.8	-0.6		
Labour Force	15,687.8	15,906.0	15,931.8	25.8	244.0	96.2	0.2	1.6
Participation Rate	65.2	65.4	65.4	0.0	0.2	-0.2		
Employment Rate	59.8	60.3	60.5	0.2	0.7	0.1		







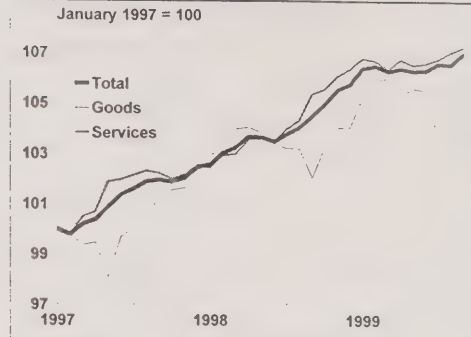
### Two-thirds of September job gains are in Manufacturing and Construction...

- Employment in the Goods-producing industries rose by 43,000 in September, with the Manufacturing and Construction sectors accounting for most of the growth.
- The number of jobs in the Service sector increased by only 21,000, as major gains in Accommodation & Food, Information, Culture & Recreation Services, and Health & Social Services were largely offset by a considerable drop in Management, Administration & Other Support Services.

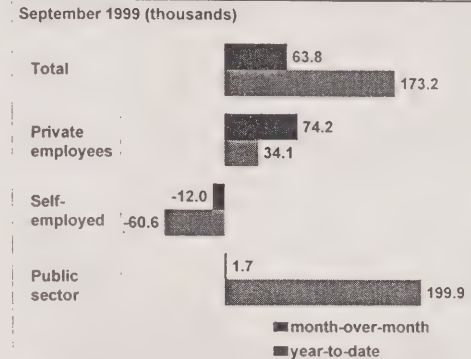
### ...as employment in the private sector registers a substantial gain

- The number of paid employees in the private sector rose by 74,000 in September, offsetting losses incurred earlier in the year. The number of self-employed fell 12,000 on the month, and remains down on a year-to-date basis.
- Public-sector employment increased by 2,000 in September, bringing gains so far this year to 200,000. This very strong performance follows the loss of 28,000 public-sector jobs in 1998.

### Employment by major sector



### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1998 September	1999 August	1999 September	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,690.1	3,801.9	3,844.7	42.8	154.6	82.5	1.1	4.2
Agriculture	427.0	393.4	393.6	0.2	-33.4	-18.6	0.1	-7.8
Other Primary*	285.4	257.0	262.9	5.9	-22.5	-17.1	2.3	-7.9
Utilities	115.4	132.8	129.5	-3.3	14.1	14.3	-2.5	12.2
Construction	777.2	757.6	775.4	17.8	-1.8	-37.7	2.3	-0.2
Manufacturing	2,085.1	2,261.2	2,283.4	22.2	198.3	141.7	1.0	9.5
<b>Service-producing</b>	10,701.0	10,870.9	10,891.9	21.0	190.9	90.7	0.2	1.8
Trade	2,205.1	2,266.9	2,271.3	4.4	66.2	30.2	0.2	3.0
Transportation	690.8	768.8	771.6	2.8	80.8	40.9	0.4	11.7
FIRE*	856.2	900.7	909.6	8.9	53.4	11.5	1.0	6.2
Professional/Scientific	919.7	901.0	894.5	-6.5	-25.2	-42.1	-0.7	-2.7
Management/Administrative	503.9	534.2	506.8	-27.4	2.9	19.7	-5.1	0.6
Educational Services	964.8	994.6	993.7	-0.9	28.9	54.4	-0.1	3.0
Health Care/Social Assistance	1,494.8	1,484.6	1,497.3	12.7	2.5	6.6	0.9	0.2
Information/Culture/Recreation	638.8	647.8	666.7	18.9	27.9	23.4	2.9	4.4
Accommodation & Food	915.8	929.9	953.5	23.6	37.7	21.0	2.5	4.1
Other Services	724.6	703.6	696.7	-6.9	-27.9	-35.2	-1.0	-3.9
Public Administration	786.4	738.8	730.3	-8.5	-56.1	-39.6	-1.2	-7.1

\*Other Primary: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.



# LABOUR MARKET TRENDS

## Provincial Overview



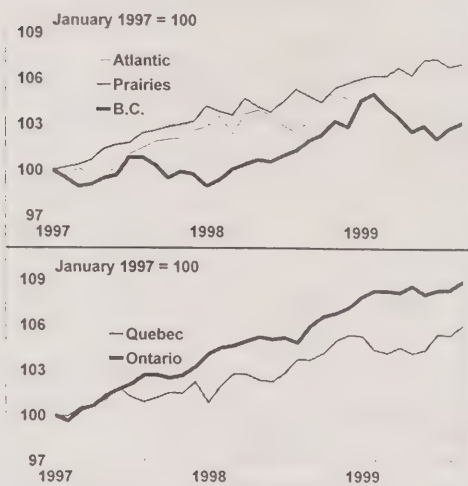
### Ontario and Quebec lead job gains in September...

- Employment was higher in all provinces in September, except for small declines in Manitoba and Prince Edward Island. The largest job gains were posted by Ontario (+29,000) and Quebec (+21,000).
- Ontario's gain follows little movement in employment over the past six months. For Quebec, September's increase represents all the net job gains for the province so far this year.

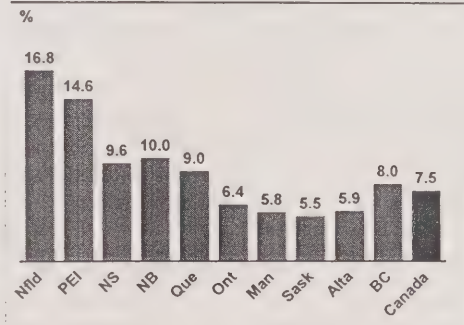
### ...as unemployment rates fall in Quebec and the Western provinces

- Quebec's unemployment rate fell 0.8 points to 9.0% in September, as the sizeable increase in employment was accompanied by a drop in the labour force.
- The unemployment rate was unchanged at 6.4% in Ontario, as the large employment gain was matched by an increase in the labour force.
- Unemployment rates were higher throughout Atlantic Canada, as job gains (and slight loss in PEI) were more than offset by rising labour forces. Still, unemployment rates in Atlantic Canada are down sharply on a year-over-year basis in Newfoundland, Nova Scotia and New Brunswick.
- In the Prairies and British Columbia, unemployment rates all fell in September.

### Regional employment patterns



### Unemployment Rates -- September 1999



### Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels	Change since		Change since			Levels	Change since	
	1999 September	(000's)	%	(000's)	%		last month	last year	
Canada	14,736.6	63.8	0.4	345.5	2.4		7.5	-0.3	-0.8
Newfoundland	207.5	2.5	1.2	11.9	6.1		16.8	0.3	-1.7
P.E.I.	60.3	-0.4	-0.7	-0.6	-1.0		14.6	1.0	0.4
Nova Scotia	416.3	0.1	0.0	16.0	4.0		9.6	1.0	-1.7
New Brunswick	337.2	0.4	0.1	11.1	3.4		10.0	0.2	-1.6
Quebec	3,418.2	20.9	0.6	73.5	2.2		9.0	-0.8	-1.1
Ontario	5,798.1	28.8	0.5	157.9	2.8		6.4	0.0	-0.7
Manitoba	556.5	-1.2	-0.2	9.1	1.7		5.8	-0.2	-0.4
Saskatchewan	484.1	3.3	0.7	6.9	1.4		5.5	-0.4	-0.7
Alberta	1,559.1	2.7	0.2	37.0	2.4		5.9	-0.3	-0.4
B.C.	1,899.4	6.7	0.4	22.6	1.2		8.0	-0.6	-0.2





# PRICES and FINANCIAL MARKETS

## Consumer and Commodity Prices



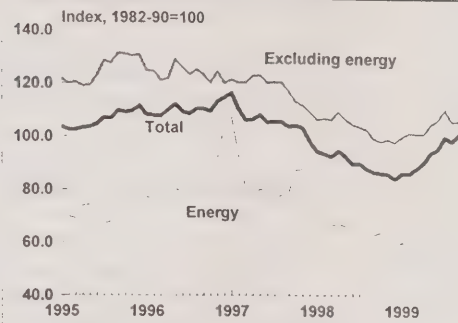
### Inflation rises above 2% in August...

- The year-over-year rate of CPI inflation increased to 2.1% in August, up from 1.8% in July. This is the largest year-over-year increase since February 1997.
- After hovering around the lower bound target of 1% since the end of 1997, inflation has picked up in recent months. Since April, the annual CPI inflation rate has averaged approximately 1.7%.

### ...fuelled by sharply-higher energy prices

- Much of the upward pressure came from the energy component of the index, which was up 9.4% on a year-over-year basis.
- Higher automobile prices also contributed to the increase, while lower prices for computer equipment and supplies and telephone services put downward pressure on the index.
- When the volatile food and energy components and the impact of indirect taxes are excluded, the "core" inflation rate falls to 1.6% in August, within the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices resumed their upward trend in September after a slight drop in August. Most of this increase came from a surge in energy prices.

### Commodity Prices (\$U.S. basis)



### Consumer Prices

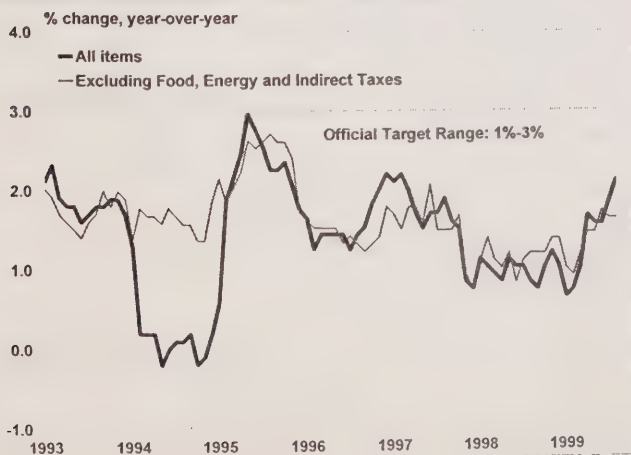
August 1999

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	111.1	0.3	2.1
Food	110.4	-0.8	1.1
Shelter	105.0	0.2	1.3
Household operations	109.1	-0.1	1.1
Clothing & Footwear	106.3	1.7	1.5
Transportation	126.4	1.4	5.2
Health & Personal Care	110.5	0.0	1.9
Recreation, Educ. & Reading	121.7	0.1	2.0
Alcohol & Tobacco	94.6	-0.1	1.7
Excl. Food/Energy/Indirect Taxes	112.3	0.2	1.6
Energy	113.8	3.5	9.4

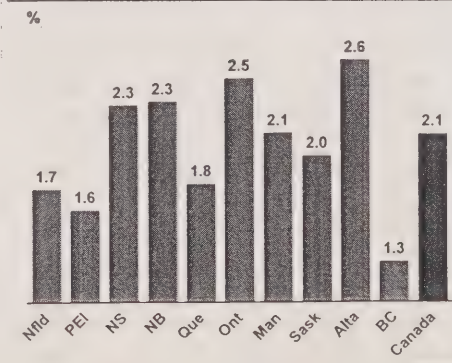
### Commodity Prices (September)

Index, 1982-90=100	101.1	2.7	16.5
Excluding Energy	106.2	0.3	6.7
Energy	91.6	8.7	45.4

### Consumer Price Index



### Provincial CPI Inflation -- August 1999









### *Bond markets are stable throughout much of September...*

- Bond yields began the month of September on a downward trend, as a calmer inflation outlook and a slumping stock market in the U.S. lowered expectations of interest rate increases by the U.S. Federal Reserve and the Bank of Canada. Mortgage rates dropped by as much as a quarter point on September 27.

### *...but the return of US inflation fears push up rates early in October*

- However, rising concerns over U.S. inflation and the rapid rise of the Japanese yen exerted strong upward pressure on long-term bond yields early in October. These pressures were intensified by the U.S. Federal Reserve's decision to adopt a tightening bias on October 5, sending long term bond yields to a six-week high. Short-term rates also rose in both Canada and the US, in anticipation of a future Fed move.
- Long term bond yields rose more strongly in Canada between the close in August and October 6, narrowing the spread between Canadian and U.S. rates to 12 basis points. However, as U.S. short-term rates increased more strongly than comparable Canadian rates, the Canada - U.S. spread nearly doubled to 93 basis points on the short end.

#### Short-term Interest Rates

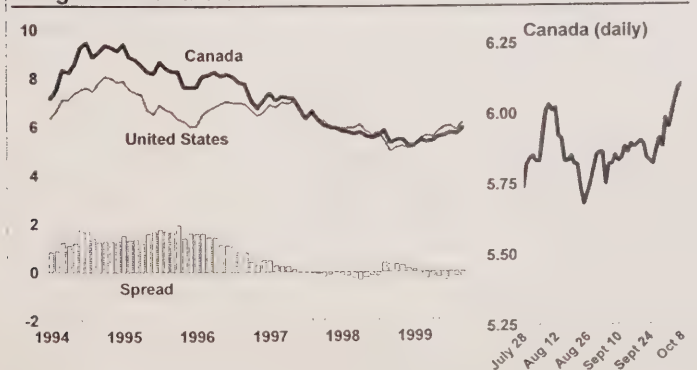


#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1997	4.80	-0.85	5.95	0.02
1998	5.02	0.09	5.23	0.14
Apr 1999	4.80	-0.05	5.41	-0.17
May	4.71	-0.19	5.58	-0.22
June	4.86	-0.38	5.63	-0.35
July	4.91	-0.26	5.74	-0.27
Aug	4.87	-0.50	5.68	-0.19
Sept	4.83	-0.53	5.91	-0.22
Oct 6	5.00	-0.93	6.05	-0.12

A positive spread indicates that Canadian rates are above their U.S. counterparts.

#### Long-term Bond Yields



#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1997	4.50	6.00	6.65	7.05
1998	5.25	6.75	6.20	6.60
Apr 1999	5.00	6.50	6.30	6.95
May	4.75	6.25	6.30	7.30
June	4.75	6.25	6.75	7.70
July	4.75	6.25	7.05	7.75
Aug	4.75	6.25	7.05	7.80
Sept	4.75	6.25	6.80	7.70
Oct 6	4.75	6.25	6.80	7.70



# PRICES and FINANCIAL MARKETS

## Exchange Rates and Stock Prices



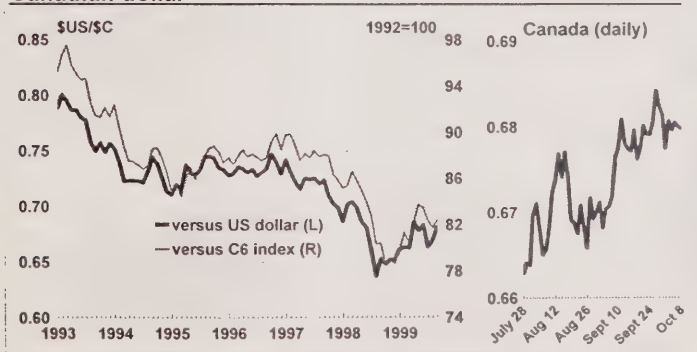
### *The stock market fluctuates in September...*

- The TSE 300 experienced wide swings in September, finishing the period at 6958 – down from its August close of 6971, but well above its recent low of 6763. Concerns about inflation, weak corporate earnings in the high-tech sector and possible interest-rate increases by the Federal Reserve continue to place downward pressure on North American markets, with the Fed tightening on August 24th initiating stock market declines. The recovery in the index in late September came largely from a surge in gold stocks, which rose 24% on the month. Gold prices rose sharply on September 28 after European central banks announced a five-year moratorium on gold sales from official reserves.

### *...but the Canadian dollar gains ground against the U.S.*

- The Canadian dollar continues to hold its strength against the US dollar and other major foreign currencies (with the exception of the Japanese yen), supported by the rising prices of gold and other commodities. The dollar reached an eleven week high of \$US 0.6842 on September 28 before falling back somewhat.

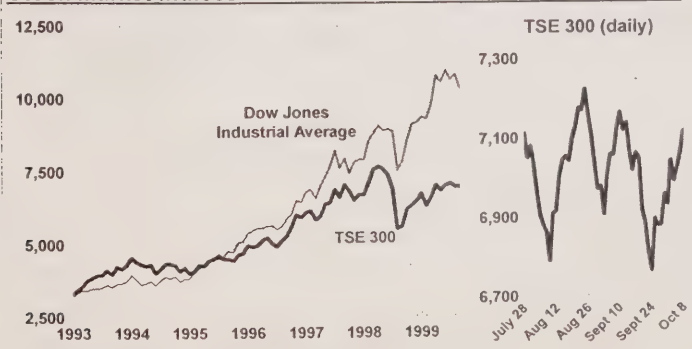
#### Canadian dollar



#### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1997	0.6991	85.87	1.247	90.87
1998	0.6522	78.71	1.082	75.91
Apr 1999	0.6863	82.26	1.229	80.49
May	0.6784	83.80	1.259	83.35
June	0.6835	83.50	1.283	82.17
July	0.6639	82.39	1.267	80.13
Aug	0.6700	81.79	1.236	75.80
Sept	0.6815	82.43	1.261	72.34
Oct 8	0.6798			

#### Stock Market Indices



#### Key Stock Market Indexes

	September Close	% change from last month	last year
TSE 300	6,958	-0.2	23.9
Oil & Gas	6,254	-4.9	19.2
Metals & Minerals	3,907	-3.5	33.1
Utilities	7,860	1.9	34.7
Paper & Forest	4,864	-2.0	45.0
Merchandising	5,071	-2.7	-1.1
Financial Services	6,702	-4.7	0.3
Gold	6,403	23.7	-2.1
Price-Earnings Ratio*	28.1	-6.7	4.2
S&P 500	1,283	-2.9	26.1
Dow Jones	10,337	-4.5	31.8

\*columns 2 & 3 reflect change in levels







## U.S. Economic Trends

### *Although the U.S. economy slows markedly in the second quarter...*

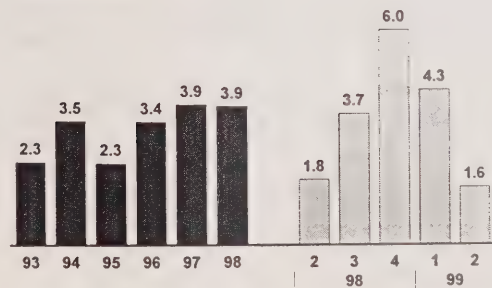
- Final estimates indicate that U.S. real GDP increased 1.6% (annual rate) in the second quarter of 1999, down from 4.3% in the previous quarter and the slowest growth rate in four years. Production was boosted by strong consumer spending, but lower inventory investment and strong import growth moderated overall growth.
- U.S. employment was essentially unchanged in September, held back by the effects of Hurricane Floyd (which the BLS estimates temporarily subtracted 58,000 jobs on the month). The unemployment rate held steady at 4.2%, indicating that labor market conditions remain tight.
- The U.S. trade deficit widened to a record \$25.2 billion in July, as imports jumped up 1.0% while exports increased only slightly (+0.5%).

### *... the Fed adopts a bias toward future tightening*

- Although inflation remains relatively tame, average hourly earnings, a key indicator of inflationary pressures, rose 0.5% in September – the largest monthly gain since 1989.
- Interest rates were left unchanged at the Federal Open Market Committee's October 5 meeting, but growing concern over the outlook for inflation prompted the Federal Reserve to adopt a bias toward future tightening. This statement of bias is used to signal the likely direction of the Fed's next rate move.

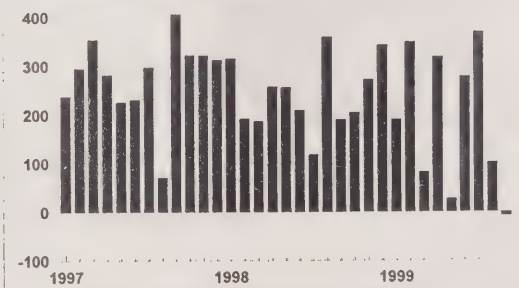
**U.S. Real GDP Growth**

% change, SAAR



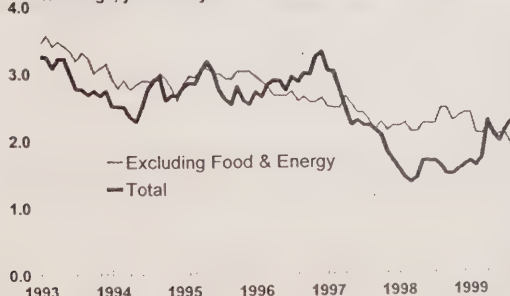
**U.S. Non-farm Payrolls**

Monthly change in thousands



**U.S. Consumer Price Inflation**

% change, year-over-year



**U.S. Unemployment & Participation Rates**







### *Canada's tourism industry has experienced strong growth in the 1990s...*

- Domestic and foreign tourists spent over \$47 billion in tourism activities in Canada in 1998 – up 7% over 1997 and roughly 45% above the 1990 level. Tourism outlays continued to grow in the first half of 1999, but at a slower pace compared with 1998 as a whole.
- Although domestic demand still accounts for the largest share of total spending (70%). International visitors have dominated growth in tourism spending throughout the 1990s. Non-resident spending has doubled, compared to an increase of 31% for domestic travellers.
- Canada welcomed almost 19 million international visitors last year for stays of one night or longer – an all-time high for Canada.

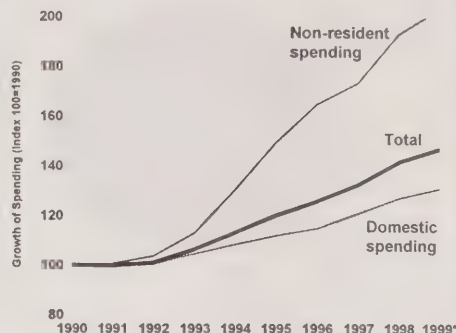
### *...with spending and employment gains across all sectors*

- All tourism sectors have benefitted from increased demand. Demand for Food and Beverage Services increased 13% in 1998, the largest gain in any category. This sector now accounts for 29% of total spending, the second largest after Transportation.
- Over 60,000 new jobs were generated by tourism activities in 1998, bringing total employment in the industry to 531,600 workers.
- Employment growth in the tourism sector has outpaced that of the total economy for three consecutive years (an average of 2.5% per annum compared with 1.9% economy-wide).

### *Canada's travel deficit is currently at its lowest level in more than ten years*

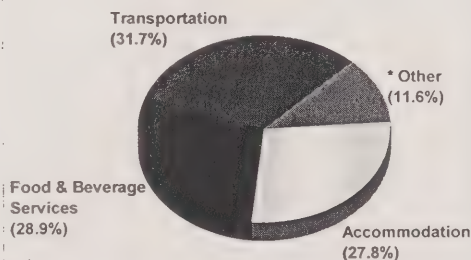
- Historically, Canadians have spent more travelling abroad than foreigners have spent on travel in Canada.
- However, with total receipts rising at a faster rate than payments to foreigners over the '90s, this gap has been narrowing.
- In 1998, the Canada's travel account deficit fell to \$2.0 billion – its lowest level in 10 years.

#### Growth in Tourism Spending



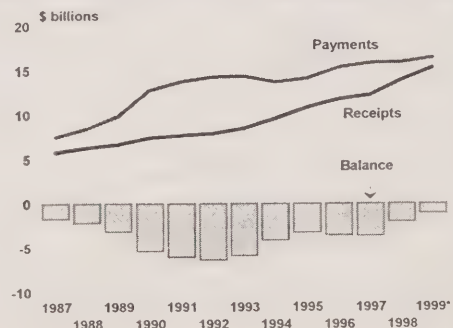
Source: Statistics Canada  
\*January-June (annualized)

#### Percentage Distribution of Tourism Expenditures, 1998



\*Other: Recreation and Entertainment; Travel Agency Service; and Convention Fees  
Source: Statistics Canada

#### Canada's International Travel Account



Source: Statistics Canada  
\*January-June (annualized)







### *The U.S. has been responsible for the growth in non-resident tourism...*

- Americans continue to visit Canada in record numbers. Indeed, throughout the 1990s, U.S. travel expenditures more than doubled – rising at a faster rate than that by all other countries.
- The U.S. accounts for nearly half of international tourism expenditures in Canada.
  - Americans injected \$6.7 billion into the Canadian economy in 1998 through tourism spending – a 13% increase over 1997.

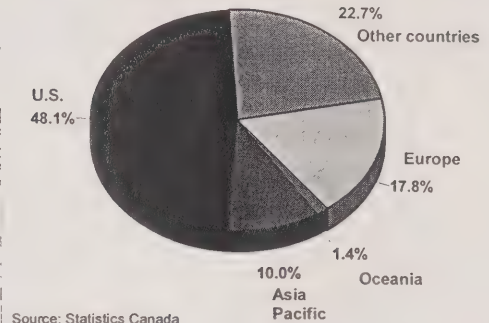
### *...with trips by Americans to Canada now exceeding Canadians trips to the U.S.*

- After peaking at \$US 0.87 in 1991, the Canadian dollar fell to \$US 0.65 by the end of 1998. This fall helps explain the steady rise in American travel to Canada in the 1990s.
  - U.S. trips across the border have increased by 26% over the 90s.
- But, Canadian trips to the U.S. seem much more sensitive to variations in the exchange rates – Canadian trips to the U.S. have been nearly cut in half since 1991.
- In 1998, for the first time since 1986, more Americans travelled to Canada than vice versa.

### *Business travel has increased at a particularly fast pace*

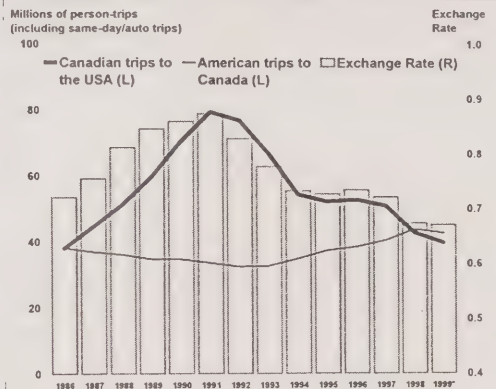
- The Open Skies Agreement, which was initiated February 24, 1995, has facilitated both business and vacation travel to the U.S.
- In 1998, approximately 1.4 million overnight trips involved business meetings, a 50% jump over 1990 levels.
  - American business travellers comprised a larger volume of air passenger traffic to Canada than non-business travellers.

**Distribution of International Tourism Expenditures by Country of Origin, 1998**



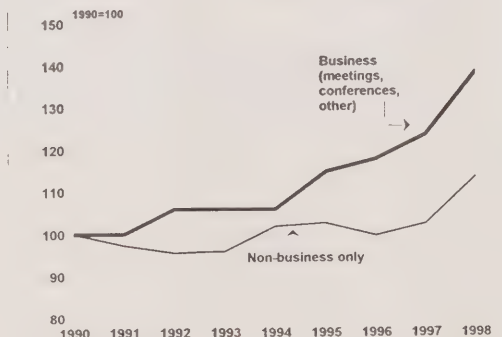
Source: Statistics Canada

**Total Travel Flow Between Canada & US**



Source: Statistics Canada  
\*January-June (annualized)

**Characteristics of Travel from the U.S.**



Source: Statistics Canada



## COMING UP

### Key Future Data Releases and Planned Events



#### CANADA

Consumer Price Index – September .....	October 19
International Trade – August .....	October 20
Survey of Manufacturing – August .....	October 26
GDP at factor cost – August .....	October 29
Business Conditions Survey – October .....	November 2
Economic and Fiscal Update (Dept. of Finance) .....	November 2
Labour Force Survey – October .....	November 5
National Economic & Financial Accounts – 3rd Quarter 1999 .....	November 30
Balance of International Payments – 3rd Quarter 1999 .....	November 30
Monetary Policy Report (Bank of Canada) .....	November
Financial Statistics For Enterprises – 3rd Quarter 1999 .....	December 6
Capacity Utilization Rates – 3rd Quarter 1999 .....	December 7

#### UNITED STATES

Consumer Price Index – September .....	October 19
International Trade – August .....	October 20
GDP – 3rd Quarter 1999, Advance .....	October 28
Employment Situation – October .....	November 5
Federal Open Market Committee meeting .....	November 16

Note: the October MEI uses data available as of October 8, 1999





# MONTHLY ECONOMIC INDICATORS

## November 1999

### HIGHLIGHTS

- 🍁 **Employment posts its second big gain in as many months in October, lowering the unemployment rate to 7.2%.**
- 🍁 **Output rises for the 13th consecutive month in August, boosted by ongoing strength in the Manufacturing sector.**
- 🍁 **Canada's trade surplus hits \$3.6 billion in August, its highest level in nearly three years.**
- 🍁 **CPI inflation rises to 2.6% in September, fuelled in large part by higher energy prices (including gasoline).**
- 🍁 **The Canadian dollar and stock prices rally late in October and into November as fears of higher U.S. interest rates lessen.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	752.6	0.5	4.1	Aug
Goods	250.3	0.6	4.5	Aug
Services	502.3	0.4	3.9	Aug
Composite Index	217.4	0.5	4.8	Sept
Employment (000's)	14,816	0.5	2.5	Oct
Full-time	12,118	0.7	3.2	Oct
Part-time	2,699	-0.2	-0.7	Oct
Unemployment* (%)	7.2	7.5	8.0	Oct
Youth*	14.0	14.5	14.7	Oct
Adult*	5.9	6.2	6.8	Oct
CPI inflation*	2.6	2.1	0.7	Sept
Retail Sales (\$M)	22,065	1.2	7.0	Aug
Housing Starts (000's)	147.5	-2.2	6.1	Oct
Trade Balance* (\$M)	3,578	3,384	1,989	Aug
Exports	31,177	2.7	12.8	Aug
Imports	27,599	2.3	7.6	Aug
M&E	9,062	1.1	5.5	Aug
3-mth Corp. paper* (%)	5.01	4.83	5.22	Nov 3
Long bond yield* (%)	6.14	5.91	5.45	Nov 3
Canadian dollar* (US¢)	68.08	67.97	64.81	Nov 5

\*Data in levels only – % change not reported.

**This issue's Special Report:  
A Closer Look at the ICT Sector in Canada**

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).





# **MONTHLY ECONOMIC INDICATORS**

## **November 1999**

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This report uses data available as of November 5, 1999. It has been prepared by Marianne Blais, Joe Macaluso, Alison McDermott, André Patry and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. The special report in this issue on Canada's ICT sector was prepared by the ICT Branch of Industry Canada. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).







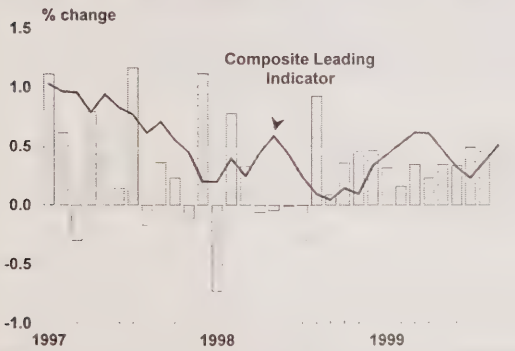
### Real GDP continues to advance in August...

- Real GDP at factor cost rose for a thirteenth consecutive month, recording a solid 0.5% advance in August. This represents the longest uninterrupted string of monthly gains in over a decade.

### ...buoyed by another solid gain in Manufacturing

- Output in the Goods-producing industries rose 0.6% on the month, with higher production in three of seven major groups. Manufacturing – propelled by a surge in the automotive sector – recorded its largest growth so far this year, accounting for two thirds of the overall increase in GDP. Elsewhere, the output of Other Utilities was down, as the demand for electricity fell sharply due to cooler temperatures in August. In the Mining sector, lower production of oil and natural gas was nearly offset by a recovery in drilling and rigging activity in the oil patch.
- Production of Services was up 0.4% in August. Gains were widespread among all major industries, with the exception of Communications where output was unchanged. Health and Social Services led this growth, as the industry recovered from the strike by Quebec nurses. In other categories, Retail Trade posted its fourth consecutive advance following a sluggish second quarter, while Wholesalers recorded their smallest gain in the past seven months, due to slower sales of computers.

#### Real GDP at Factor Cost



#### Real GDP at Factor Cost (1992 dollars)

##### August 1999

	\$ millions	monthly change	% Change since last	
			month	year
<b>Total Economy</b>	<b>752,582</b>	<b>3,422</b>	<b>0.5</b>	<b>4.1</b>
<b>Business sector</b>	<b>623,622</b>	<b>2,805</b>	<b>0.5</b>	<b>4.9</b>
<b>Goods</b>	<b>250,334</b>	<b>1,602</b>	<b>0.6</b>	<b>4.5</b>
Agriculture	12,957	-60	-0.5	0.6
Fishing & Trapping	696	-80	-10.3	-7.8
Logging & Forestry	4,404	40	0.9	4.1
Mining*	25,734	-81	-0.3	-5.9
Manufacturing	139,873	2,299	1.7	8.4
Construction	41,352	50	0.1	4.1
Other Utilities	25,318	-566	-2.2	-0.8
<b>Services</b>	<b>502,248</b>	<b>1,820</b>	<b>0.4</b>	<b>3.9</b>
Transport & Storage	35,095	243	0.7	4.7
Communications	26,246	3	0.0	11.2
Wholesale Trade	46,837	120	0.3	12.7
Retail Trade	47,054	308	0.7	4.6
Finance & Insurance	41,644	207	0.5	2.4
Real Estate & Ins. Agent	79,448	85	0.1	2.3
Business services	43,770	95	0.2	8.0
Government services	45,495	183	0.4	1.7
Education	40,464	58	0.1	0.7
Health & Social Services	46,915	378	0.8	-1.0
Accommodation & Food	19,621	109	0.6	1.9
Other	29,659	31	0.1	1.8

\*Includes Quarrying and Crude Petroleum & Natural Gas

#### Real GDP by major sector





## Consumer Spending and Attitudes



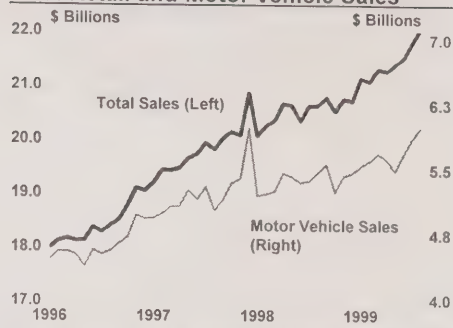
### Growth in consumer spending moderates in the second quarter...

- Real consumption rose 3.0% (annual rate) in the second quarter, down from growth of 4.2% in the first quarter. Strong spending on services more than offset weaker expenditures on goods.
- Disposable income increased by 2.6% in the quarter, failing once again to keep pace with higher spending. As a result, the saving rate fell to 1.4% – the lowest on record – while the household debt-to-income ratio rose to a record 100.2%.

### ...but retail sales advance in August

- Retail sales rose 1.2% in August, keeping pace with July's solid increase. (In real terms, sales were up 0.9% on the month.) Gains were recorded in four of seven major groups, led by the Automotive sector (+2.6%), which was boosted by increasing gasoline prices and higher sales of parts and vehicles.
- Over the past year, increasing retail sales have been financed more by credit than higher personal incomes. This trend extended into August, with a 0.8% increase in consumer credit.
- The very strong employment gains in September and October will likely provide a boost to confidence and help sustain the momentum in consumer spending.

### Total Retail and Motor Vehicle Sales



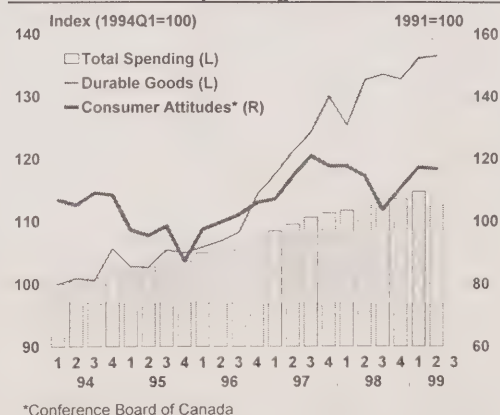
### Retail Sales and Consumer Credit

	August 1999 \$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	22,065	1.2	7.0
Food	4,908	0.4	2.4
Drug Stores	1,116	-0.3	2.3
Clothing	1,205	-0.8	2.8
Furniture	1,155	0.0	8.1
Automotive	8,740	2.6	9.9
General Merch. Stores	2,564	1.1	10.6
All other Stores	2,378	0.4	7.3
Total ex. motor vehicles	16,071	0.8	6.1
Consumer Credit (unadjusted)	166,336	0.8	7.6

### Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)	1997		1998		1999 Q1		1999 Q2	
Real Consumption (92\$)	472,867	485,906	493,244	496,868				
% change	4.2	2.8	4.2	3.0				
Durable Goods	62,823	66,801	69,360	69,524				
% change	13.3	6.3	10.5	0.9				
Semi-Durable Goods	44,334	46,526	47,096	47,296				
% change	4.3	4.9	4.9	1.7				
Non-Durable Goods	118,293	119,521	120,952	121,180				
% change	1.3	1.0	4.2	0.8				
Services	247,417	253,058	255,836	258,868				
% change	3.4	2.3	2.6	4.8				
Disposable Income	534,728	552,778	562,680	566,368				
% change	3.1	3.4	3.1	2.6				
Saving Rate (%)	2.8	2.3	1.9	1.4				
Debt-to-Income Ratio (%)	96.4	98.3	99.6	100.2				

### Real Consumer Spending and Attitudes



\*Conference Board of Canada





## Business Investment in Plant and Equipment



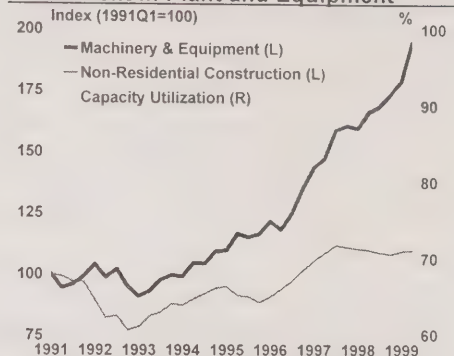
### Business investment surges in the second quarter...

- Business investment in M&E grew 40.5% (annual rate) in the second quarter, the biggest increase since 1991. Growth was widespread, although purchases of computers related to the Y2K compliance were an important factor behind this strong performance.
- Higher building construction resulted in growth of 1.5% in Non-residential Construction. Engineering construction fell in the second quarter due to reduced oil and gas drilling.

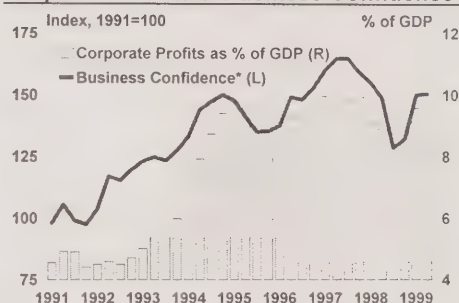
### ...but data are mixed so far in the third quarter

- After a sluggish July, imports of M&E rebounded in August (+1.1%), led by a strong increase in purchases of drilling equipment. However, over the same period, non-residential construction recorded its second consecutive monthly decline.
- According to the latest issue of the Business Conditions Survey, manufacturers are expected to expand output in the coming months. This may spur demand for investment.

### Investment in Plant and Equipment



### Corporate Profits & Business Confidence



\*Conference Board of Canada

### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1997	1998	1998 Q3	1998 Q4	1999 Q1	1999 Q2
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1992\$)</b>	59,112	64,701	65,308	67,284	69,320	75,464
% change	22.2	9.5	5.9	12.7	12.7	40.5
<b>Non-residential Construction (1992\$)</b>	39,079	39,110	38,932	38,696	39,128	39,272
% change	14.0	0.1	-3.8	-2.4	4.5	1.5
<b>Capacity Utilization (% Non-farm goods)</b>	83.2	82.7	81.8	82.6	83.3	83.8
Capacity Utilization (Mfg. sector)	83.6	83.8	82.5	84.8	85.5	86.2

### CORPORATE FINANCES & ATTITUDES

#### Corporate Operating Profits

% change

Profits - Non-financial industries

% change

Profits - Financial industries

% change

**Business Credit**

% change

NOTE: Statistics Canada is making significant changes to the Quarterly Survey of Financial Statistics for Enterprises. For this reason, data are preliminary and may be subject to significant revision.

625,859	688,937	699,279	705,050	711,760	713,830
9.3	10.1	10.2	3.3	3.9	1.2





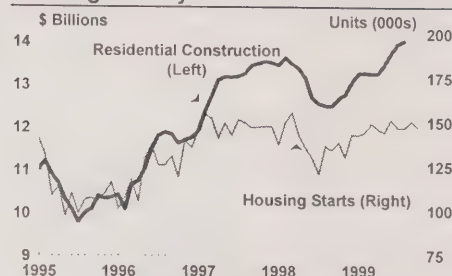
### Residential investment rebounds in the first half of the year...

- Residential investment advanced 15.4% (annual rate) in the second quarter, following an 18.6% rise in the first quarter. Strong increases in the first half of this year follow a period of sustained weakness in 1998.
- All major components of residential investment registered significant gains. Sales of existing homes were particularly strong, but new housing construction and renovation activity were also up.

### ...and are strong so far in the second half

- Residential construction continued to advance in August, recording its tenth increase in the last eleven months. The average level of activity in July and August was 3.7% above its second quarter level.
- Though construction intentions declined in September, on a year-over-year basis building permits were up by almost 6%.
- Sales of existing homes were virtually unchanged in September, interrupting the downward trend of recent months. Housing starts declined in October, and have shown no clear upward trend so far this year.
- Although monthly data are volatile, the housing sector has performed relatively well on a year-over-year basis with most indicators recording solid advances. Improving labour market conditions and rising consumer confidence should help sustain the strong housing market in coming months.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	14,041	0.6%	12.1%
<b>Building Permits, \$M (2)</b>	1,556	-7.2%	5.9%
<b>Sales of Existing Homes (2)</b> (# of units)	20,160	-9	
<b>Housing Starts, # of units (3)</b>	147,500	-3,300	8,500
Newfoundland	800	0	-300
Prince Edward Island	300	0	0
Nova Scotia	3,200	900	-200
New Brunswick	1,400	-700	-400
Quebec	21,200	-5,900	2,600
Ontario	59,400	-900	5,800
Manitoba	2,700	1,200	1,300
Saskatchewan	2,200	-1,000	700
Alberta	22,000	3,200	0
British Columbia	13,600	-300	-900

1 - August data; 2 - September data; 3 - October data.

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

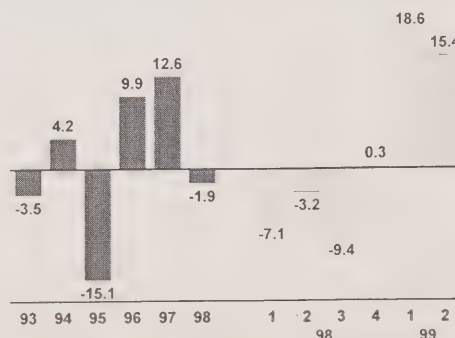
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1997	1998	1999 Q1	1999 Q2
<b>Residential Construction</b>	42,348	41,547	42,760	44,316
% change	12.6	-1.9	18.6	15.4
<b>Construction by Business sector</b>	42,223	41,422	42,632	44,188
% change	12.6	-1.9	18.6	15.4
<b>New Housing</b>	21,441	20,695	21,436	21,916
% change	19.5	-3.5	22.6	9.3
<b>Alterations &amp; Improvements</b>	13,315	13,645	14,104	14,356
% change	7.2	2.5	16.6	7.3
<b>Ownership &amp; Transfer Costs</b>	7,592	7,207	7,220	8,044
% change	4.5	-5.1	11.4	54.1

### Growth in Real Residential Construction

% change, SAAR









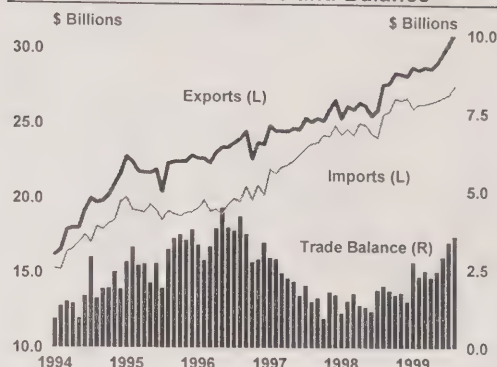
### *A vigorous automotive sector boosts both exports and imports in August...*

- Exports rose 2.7% in August, the strongest growth recorded in a year. This advance was fuelled almost entirely by the Automotive sector, which picked up from July's sluggish performance. However, exports decreased slightly in all other major categories except Other Consumer Goods.
- Imports also recorded a solid advance on the month (+2.3%), with all major sectors recording gains (except Other Consumer Goods). As with exports, this increase was led by higher purchases of Automotive Products.

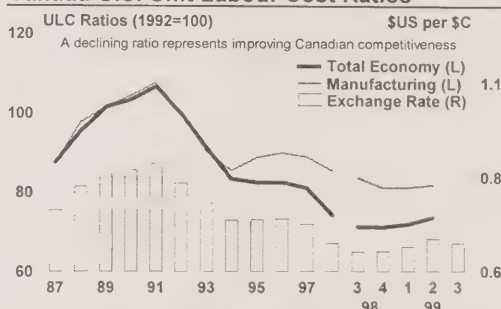
### *...leading to a further increase in Canada's trade surplus*

- The trade surplus rose for the fourth straight month in August as export growth outpaced that of imports. It edged up to \$3.6 billion, its highest level in almost three years.
- This year's combined surplus from January to August is \$22.1 billion, already above the total for all of 1998 (\$18.9 billion).

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

### Merchandise Trade

August 1999	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	1999 July	1999 August	1998 Jan-Aug.	1999 Jan-Aug.	July to Aug. 1999	July to Aug. 1999	July to Aug. 1999	Aug. 98 to Aug. 99
<b>Exports</b>	30,370	31,177	209,483	235,337	807	2.7		12.8
to United States	26,200	27,191	173,688	202,386	991	3.8		16.1
<b>Imports</b>	26,986	27,599	197,429	213,244	613	2.3		7.6
from United States	20,791	21,078	151,459	163,824	287	1.4		6.8
<b>Trade Balance</b>	3,384	3,578	12,054	22,093	194			
with United States	5,409	6,113	22,229	38,562	704			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,197	2,137	16,541	16,912	-60	-2.7		5.6
Energy Products	2,679	2,664	16,133	18,022	-15	-0.6		23.6
Forestry Products	3,466	3,318	23,165	25,624	-148	-4.3		11.2
Industrial Goods & Materials	4,897	4,855	38,685	37,544	-42	-0.9		-0.3
Machinery & Equipment	7,296	7,179	52,133	55,287	-117	-1.6		5.1
Automotive Products	7,576	8,764	47,137	63,919	1,188	15.7		32.7
Other Consumer Goods	1,128	1,146	8,072	9,110	18	1.6		7.4
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,469	1,487	11,372	11,762	18	1.2		1.2
Energy Products	808	824	5,958	6,005	16	2.0		8.4
Forestry Products	230	232	1,637	1,796	2	0.9		13.2
Industrial Goods & Materials	5,071	5,178	39,686	40,399	107	2.1		1.9
Machinery & Equipment	8,960	9,062	65,942	70,835	102	1.1		5.5
Automotive Products	6,339	6,743	42,337	50,088	404	6.4		21.4
Other Consumer Goods	3,080	3,052	22,411	24,216	-28	-0.9		2.6



# LABOUR MARKET TRENDS

## Employment and Unemployment



### Employment posts its second straight solid gain in October...

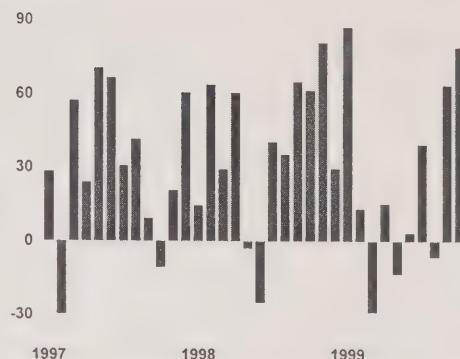
- Following a sustained period of weakness earlier in the year, Canada's labour market has rebounded strongly over the past two months. The economy gained 80,000 jobs in October, building on an increase of 64,000 in the previous month.
- Given a slight decline in part-time employment, full-time work accounted for all of these net job gains (+85,000). So far this year, full-time employment is up 308,000 while the number of part-time jobs has fallen 55,000.

### ...pushing the unemployment rate down to 7.2%

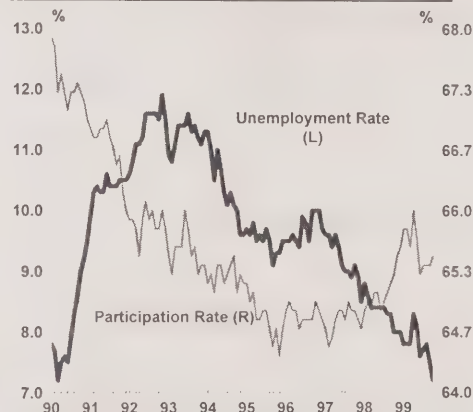
- The national unemployment rate fell 0.3 percentage points to 7.2% in October. Higher employment was partly offset by an increase in the number of people seeking work (+33,000).
- The last time the unemployment rate was this low was March 1990. More significantly, it has not been below 7.2% since the onset of the 1981-82 recession (May 1981).
- The adult unemployment rate fell to 5.9% in October, down 0.3 points from the previous month. The youth unemployment rate was down 0.5 points to 14.0%.

### Employment

Monthly change in thousands



### Unemployment Rate



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1998 October	1999 September	1999 October	last month	last year	year-to- date	last month	last year
Employment	14,452.8	14,736.6	14,816.1	79.5	363.3	252.7	0.5	2.5
Full-time	11,736.1	12,032.6	12,117.5	84.9	381.4	307.8	0.7	3.2
Part-time	2,716.6	2,704.0	2,698.6	-5.4	-18.0	-55.1	-0.2	-0.7
Youth 15-24	2,134.6	2,203.9	2,219.7	15.8	85.1	38.2	0.7	4.0
Adult 25+	12,318.2	12,532.8	12,596.4	63.6	278.2	214.5	0.5	2.3
Self-employed	2,595.1	2,529.0	2,533.4	4.4	-61.7	-56.2	0.2	-2.4
Unemployment	1,264.7	1,195.2	1,148.3	-46.9	-116.4	-123.9	-3.9	-9.2
Unemployment Rate	8.0	7.5	7.2	-0.3	-0.8	-0.8		
Youth 15-24	14.7	14.5	14.0	-0.5	-0.7	-0.4		
Adult 25+	6.8	6.2	5.9	-0.3	-0.9	-0.9		
Labour Force	15,717.5	15,931.8	15,964.4	32.6	246.9	128.8	0.2	1.6
Participation Rate	65.3	65.4	65.5	0.1	0.2	-0.1		
Employment Rate	60.0	60.5	60.8	0.3	0.8	0.4		



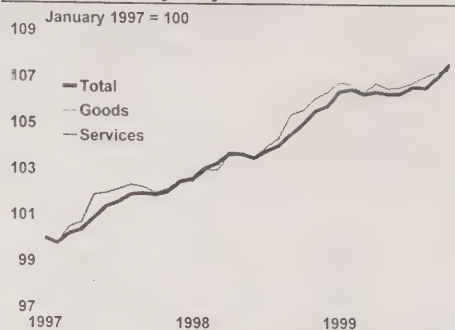




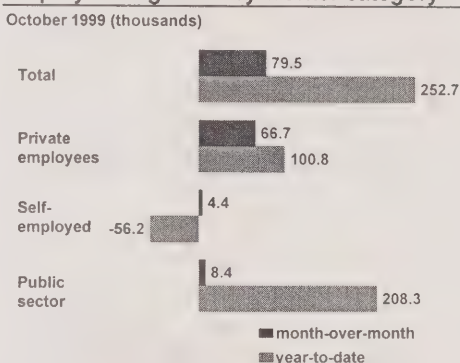
### October job gains are concentrated in the Goods-producing industries...

- Most of October's employment growth occurred in the Goods-producing industries (+74,000). As in the previous month, both Manufacturing and Construction posted solid gains. However, while Manufacturing employment is up 9.6% compared to last October, the number of Construction workers is basically unchanged on a year-over-year basis.
- Employment in the Service sector edged up 6,000 on the month. The largest gain was in Trade, while the biggest losses were registered by Accommodation & Food Services and Other Services.

### Employment by major sector



### Employment growth by worker category



### ...and among paid employees in the private sector

- The number of paid employees in the private sector was up 67,000 in October, the fourth straight monthly rise. Prior to this string of advances, paid private-sector employment had fallen in five straight months.
- Both self-employment and employment in the public sector were little changed on the month. However, public employment is still up sharply on a year-to-date basis.

### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1998 October	1999 September	1999 October	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,733.2	3,844.7	3,918.6	73.9	185.4	156.4	1.9	5.0
Agriculture	413.8	393.6	385.2	-8.4	-28.6	-27.0	-2.1	-6.9
Other Primary*	276.4	262.9	272.3	9.4	-4.1	-7.7	3.6	-1.5
Utilities	114.3	129.5	128.7	-0.8	14.4	13.5	-0.6	12.6
Construction	795.2	775.4	794.0	18.6	-1.2	-19.1	2.4	-0.2
Manufacturing	2,133.4	2,283.4	2,338.5	55.1	205.1	196.8	2.4	9.6
<b>Service-producing</b>	10,719.6	10,891.9	10,897.5	5.6	177.9	96.3	0.1	1.7
Trade	2,190.9	2,271.3	2,282.3	11.0	91.4	41.2	0.5	4.2
Transportation	715.2	771.6	774.6	3.0	59.4	43.9	0.4	8.3
FIRE*	874.8	909.6	912.5	2.9	37.7	14.4	0.3	4.3
Professional/Scientific	916.5	894.5	903.8	9.3	-12.7	-32.8	1.0	-1.4
Management/Administrative	498.4	506.8	513.0	6.2	14.6	25.9	1.2	2.9
Educational Services	964.7	993.7	994.7	1.0	30.0	55.4	0.1	3.1
Health Care/Social Assistance	1,498.1	1,497.3	1,497.4	0.1	-0.7	6.7	0.0	-0.0
Information/Culture/Recreation	648.7	666.7	661.7	-5.0	13.0	18.4	-0.7	2.0
Accommodation & Food	908.7	953.5	942.4	-11.1	33.7	9.9	-1.2	3.7
Other Services	731.2	696.7	685.7	-11.0	-45.5	-46.2	-1.6	-6.2
Public Administration	772.2	730.3	729.3	-1.0	-42.9	-40.6	-0.1	-5.6

\*Other Primary: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.





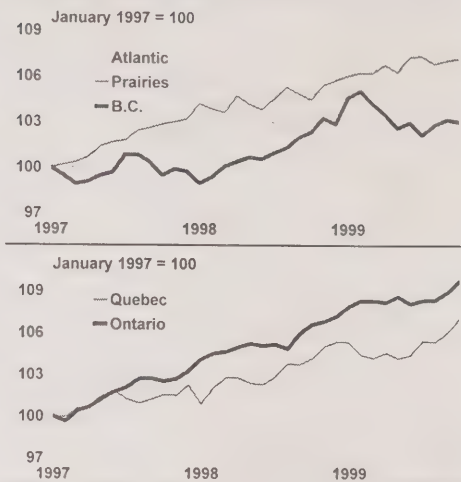
### Central Canada leads in job growth for the second straight month...

- As was the case in the previous month, most of October's total net increase in employment can be attributed to major gains in Ontario (+44,000) and Quebec (+33,000).
- Ontario's unemployment rate fell 0.4 percentage points to 6.0% in October. In Quebec, however, the sizeable job gain was offset by an even larger increase in the labour force, leading to a slight 0.1 point increase in its unemployment rate to 9.1%.

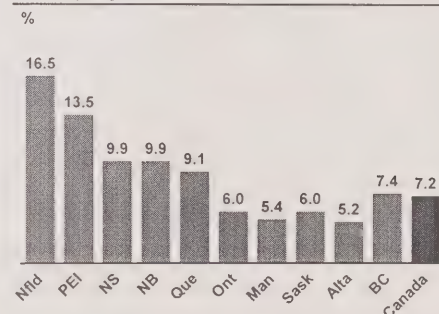
### ...as employment conditions are little changed in most other provinces

- Apart from Ontario and Quebec, Prince Edward Island was the only other province to post a significant job gain in October, lowering its unemployment rate by just over one full percentage point to 13.5%. Elsewhere, employment was little changed.
- In both Alberta and British Columbia, a large fall in the number of job seekers resulted in a significant drop in their respective unemployment rates.

### Regional employment patterns



### Unemployment Rates -- October 1999



### Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment rate (%)		
	<u>Levels</u>	<u>Change since</u>		<u>Change since</u>		<u>Levels</u>	<u>Change since</u>	
	1999	last month		last year			last	last
	October	(000's)	%	(000's)	%		month	year
Canada	14,816.1	79.5	0.5	363.3	2.5	7.2	-0.3	-0.8
Newfoundland	209.4	1.9	0.9	4.8	2.3	16.5	-0.3	-1.8
P.E.I.	62.2	1.9	3.2	2.2	3.7	13.5	-1.1	-0.5
Nova Scotia	414.2	-2.1	-0.5	10.4	2.6	9.9	0.3	-0.8
New Brunswick	337.1	-0.1	-0.0	7.5	2.3	9.9	-0.1	-1.4
Quebec	3,451.4	33.2	1.0	92.2	2.7	9.1	0.1	-0.6
Ontario	5,841.7	43.6	0.8	167.2	2.9	6.0	-0.4	-1.0
Manitoba	558.7	2.2	0.4	11.5	2.1	5.4	-0.4	-0.6
Saskatchewan	483.2	-0.9	-0.2	5.8	1.2	6.0	0.5	-0.2
Alberta	1,561.5	2.4	0.2	48.9	3.2	5.2	-0.7	-1.2
B.C.	1,896.8	-2.6	-0.1	12.9	0.7	7.4	-0.6	-0.6





# PRICES and FINANCIAL MARKETS

## Consumer and Commodity Prices



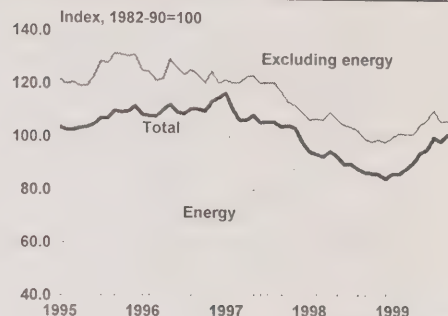
### Inflation rises in September...

- The year-over-year rate of CPI inflation increased to 2.6% in September, up from 2.1% in August. This is the largest year-over-year increase since June 1995.
- After hovering around the lower bound target of 1% since the end of 1997, the annual CPI index has averaged approximately 1.9% since April.

### ...as energy prices drive the index higher

- Higher energy prices are largely responsible for the index's rise. Growth in gasoline and fuel oil prices and higher rates for natural gas lifted the energy component by 12.5% in September on a year-over-year basis. Higher prices for automobiles and air transportation also contributed to the increase, while prices for computer equipment and telephone services declined.
- When the volatile food and energy components and the impact of indirect taxes are excluded, the remaining "core" rate of inflation falls to 1.9% (year-over-year), near the mid-point of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance. Since April, the core inflation rate has averaged approximately 1.6%.
- Commodity prices fell back slightly in October following September's surge, led by declines in prices of crude oil, gold and precious metals. Commodity prices still remain well above their previous year levels.

### Commodity Prices (\$U.S. basis)



### Consumer Prices

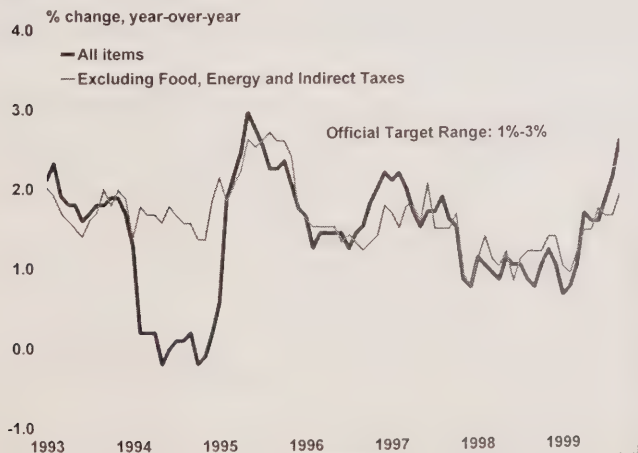
September 1999

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	111.4	0.3	2.6
Food	109.8	-0.5	1.4
Shelter	105.6	0.6	1.9
Household operations	109.5	0.4	0.9
Clothing & Footwear	107.2	0.8	2.7
Transportation	127.0	0.5	5.9
Health & Personal Care	110.6	0.1	1.9
Recreation, Educ. & Reading	122.4	0.6	2.9
Alcohol & Tobacco	94.6	0.0	1.5
Excl. Food/Energy/Indirect Taxes	112.7	0.4	1.9
Energy	115.4	1.4	12.5

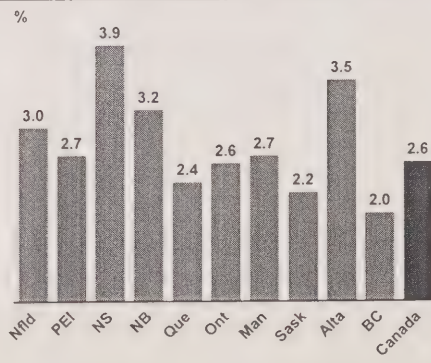
### Commodity Prices (October)

Index, 1982-90=100	99.2	-2.0	14.8
Excluding Energy	104.6	-1.7	6.4
Energy	89.0	-2.8	39.1

### Consumer Price Index



### Provincial CPI Inflation -- September 1999





# PRICES and FINANCIAL MARKETS

## Short-term and Long-term Interest Rates



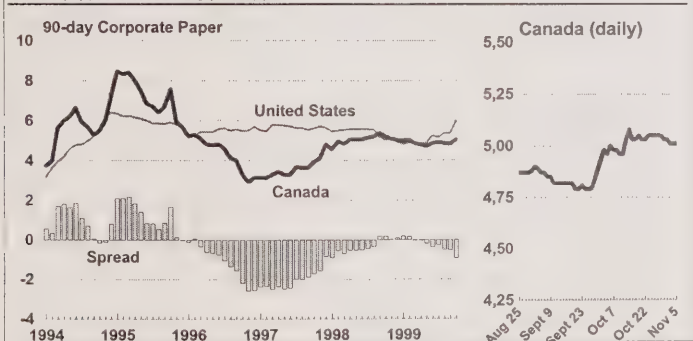
### *Bond yields rise throughout much of October...*

- North American bond yields rose steadily in early October as inflationary concerns and the adoption of a tightening bias by the US Federal reserve fuelled speculation of another interest rate increase. This speculation intensified when figures were released showing that U.S. producer prices posted their biggest jump in nine years in September.

### *...but then fall back as US inflation fears lessen*

- The release of relatively modest consumer price figures later in the month eased market concerns somewhat. Bond markets were further buoyed by comments from the Federal Reserve Board chairman Alan Greenspan suggesting that the Fed may not raise interest rates again this year.
- As inflation in Canada converges toward the U.S. rate, investors appear less willing to receive lower yields for Canadian bonds. Indeed, U.S. bonds largely outperformed their Canadian counterparts in October, and Canadian long rates were at par with U.S. rates on November 3.
- On the short end, however, Canadian rates have risen less quickly, widening the spread in Canada's favour to almost a full percentage point by November 3. Bank of Canada Governor Thiessen has hinted that rate increases in Canada may be required to keep inflation in check.

### Short-term Interest Rates

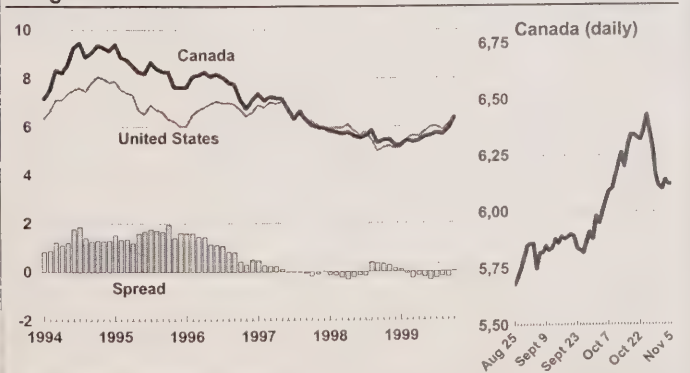


### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1997	4,80	-0,85	5,95	0,02
1998	5,02	0,09	5,23	0,14
May 1999	4,71	-0,19	5,58	-0,22
June	4,86	-0,38	5,63	-0,35
July	4,91	-0,26	5,74	-0,27
Aug	4,87	-0,50	5,68	-0,19
Sept	4,83	-0,53	5,91	-0,22
Oct	5,05	-0,93	6,36	0,03
Nov 3	5,01	-0,98	6,14	0,00

A positive spread indicates that Canadian rates are above their U.S. counterparts.

### Long-term Bond Yields



### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1997	4,50	6,00	6,65	7,05
1998	5,25	6,75	6,20	6,60
May 1999	4,75	6,25	6,30	7,30
June	4,75	6,25	6,75	7,70
July	4,75	6,25	7,05	7,75
Aug	4,75	6,25	7,05	7,80
Sept	4,75	6,25	6,80	7,70
Oct	4,75	6,25	7,35	8,25
Nov 3	4,75	6,25	7,35	8,25





# PRICES and FINANCIAL MARKETS

## Exchange Rates and Stock Prices



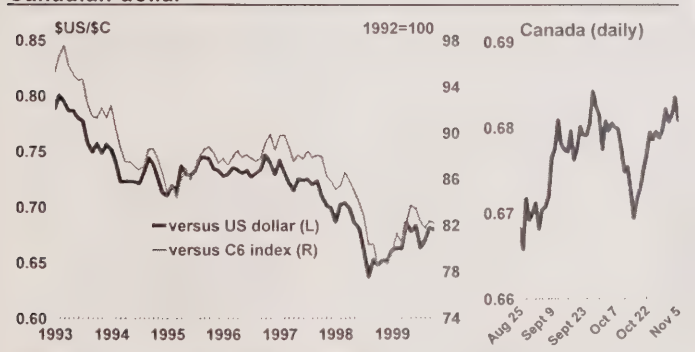
### The stock market makes gains in October...

- The TSE 300 index continues to trend upwards, closing out October on a 16-week high of 7256. Utilities and Financial Services stocks made the biggest gains on the month, while gold stocks gave back some of the large increases realized in the previous month.
- The stock market experienced a downturn in the middle of the month when a large increase in U.S. producer prices raised fears of higher interest rates. North American stocks then rebounded strongly on the subsequent release of figures showing consumer price gains to be modest.

### ...and the Canadian dollar resumes an upward trend

- The Canadian dollar drifted downwards during the first part of the month on the expectation that higher interest rates in the U.S. would not be matched by the Bank of Canada.
- The dollar subsequently recovered much of this lost ground, boosted by the favourable U.S. inflation figures and statements by the Fed Chairman reducing the likelihood of higher U.S. rates. The dollar gained further support from comments by Governor Thiessen, who suggested that interest rates in Canada may need to be raised. The dollar closed on November 5 at \$U.S. 0.6878, just slightly below September's close.

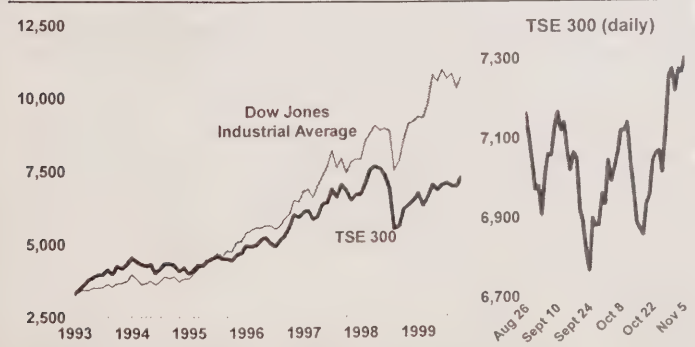
#### Canadian dollar



#### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1997	0.6991	85.87	1.247	90.87
1998	0.6522	78.71	1.082	75.91
May 1999	0.6784	83.80	1.259	83.35
June	0.6835	83.50	1.283	82.17
July	0.6639	82.39	1.267	80.13
Aug	0.6700	81.79	1.236	75.80
Sept	0.6815	82.43	1.261	72.34
Oct	0.6797	82.22	1.237	71.71
Nov 5	0.6808			

#### Stock Market Indices



#### Key Stock Market Indexes

		% change from	
	October Close	last month	last year
TSE 300	7,256	4.3	16.9
Oil & Gas	6,062	-3.1	11.6
Metals & Minerals	3,901	-0.2	26.0
Utilities	9,198	17.0	36.6
Paper & Forest	4,976	2.3	39.4
Merchandising	4,853	-4.3	-5.0
Financial Services	7,278	8.6	-5.9
Gold	5,513	-13.9	-17.9
Price-Earnings Ratio*	29.7	1.5	4.4
S&P 500	1,363	6.3	24.1
Dow Jones	10,730	3.8	24.9

\*columns 2 & 3 reflect change in levels





### *The U.S. economy grows at a fast pace in the third quarter...*

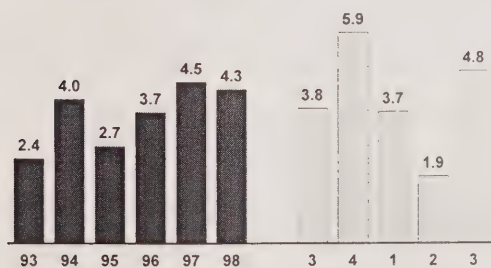
- Advance estimates indicate that real GDP increased 4.8% (annual rate) in the third quarter of 1999, its fastest pace so far this year. Solid gains in consumer spending, exports and business investment in plant, equipment and inventories were all responsible for this strong performance. However, high import growth and lower residential investment moderated overall growth.
- Recovering from the effects of Hurricane Floyd, U.S. employment rose by 310,000 in October. The unemployment rate edged down to 4.1%, its lowest level in 29 years, indicating that the U.S. labour market remains tight.
- The U.S. trade deficit narrowed to \$24.1 billion in August after hitting a record high in July. A jump in exports (+3.7%) help pull down the trade deficit despite strong import growth (+3.0%).

### *... but inflation indicators are mixed*

- Boosted by higher energy prices, the year-over-year rate of CPI inflation rose to a 30-month high of 2.6% in September. A large increase in producer prices also reinforced fears that the Federal Reserve might raise its key federal funds rate on November 16.
- However, slower growth in employment costs in the third quarter and in average hourly earnings in October subsequently soothed fears of a possible hike in interest rates.

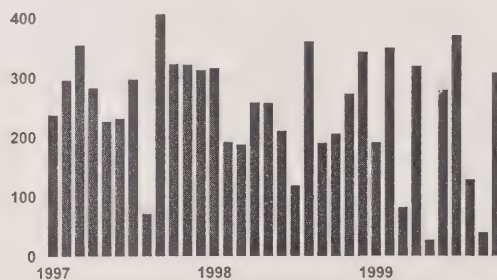
#### U.S. Real GDP Growth

% change, SAAR



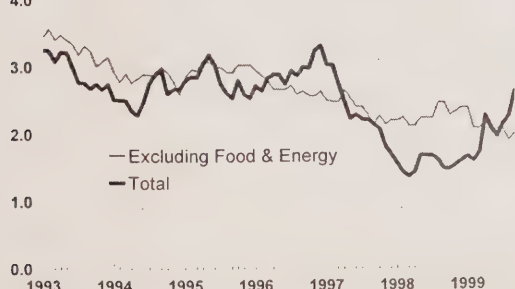
#### U.S. Non-farm Payrolls

Monthly change in thousands



#### U.S. Consumer Price Inflation

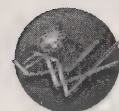
% change, year-over-year



#### U.S. Unemployment & Participation Rates







### *The ICT Sector is making a substantial contribution to growth in Canada...*

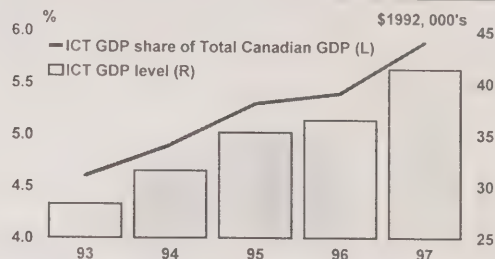
- The Information and Communications Technologies (ICT) sector contributed \$41.3 billion to Canada's GDP (\$1992) in 1997 -- representing 5.9% of the total economy.
- Annual growth in this sector has been 5.7% so far in the 1990s\*, compared to growth of only 2.0% economy-wide. This fast growth of the ICT sector means that it has accounted for 11% of the growth in total output so far in the 1990s.
- Within the ICT sector, Services industries have grown faster than Manufacturing industries over this period (6.0% per year versus 5.1%). Within Manufacturing, production of Computer Equipment & Electronic Components has been particularly strong, while Software & Computer Services have posted the largest gains in Services.

### *...and is a major source of new jobs*

- Employment in the ICT sector has also experienced strong growth during this period. The number of jobs in ICT industries rose from 391,000 in 1990 to 481,000 in 1997, an increase of 23.1% (3.0% annual growth, compared to 0.8% economy-wide).
- In 1997, 3.5% of all Canadian workers were employed by the ICT sector.
- Most of these employment gains have occurred in Software & Computer Services, where employment is 2½ times higher in 1997 than in 1990. Employment in the Manufacturing segment of the ICT sector has remained relatively stable over the 1990-97 period.

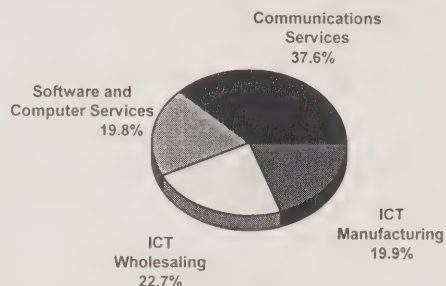
\*As GDP for ICT wholesaling is not available from 1990-92, growth rates calculated over the 1990s exclude this industry.

### ICT Sector GDP Growth, 1993-97



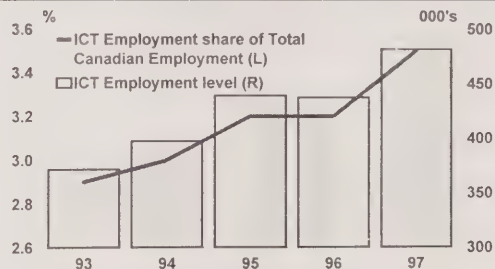
Source: Industry Canada, ICT Statistical Review.

### GDP by Sub-sectors, 1997



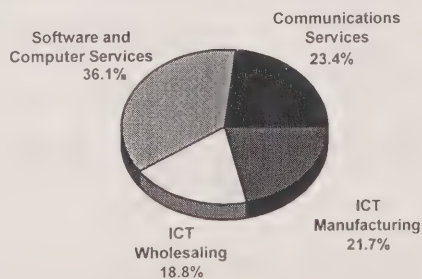
Source: Industry Canada, ICT Statistical Review

### ICT Sector Employment Growth, 1993-97



Source: Industry Canada, ICT Statistical Review.

### Employment by Sub-sectors, 1997



Source: Industry Canada, ICT Statistical Review

### Information & Communications Technologies Sector

Manufacturing	Services
Consumer electronics	Cable television
Communications & telecommunications equipment	Telecommunications services
Electronic components	ICT wholesaling
Computer equipment	Software & computer services
Communications wires & cables	Office machinery rental & leasing
Instrumentation	







### *ICT industries are the biggest performers of private sector R&D...*

- In 1997, R&D expenditures in the ICT sector reached \$3.6 billion, representing 42% of total private sector R&D.
- Most recent data suggest that the ICT industries were intending to spend \$3.8 billion on R&D in 1998, a 4.1% increase over 1997.
- With a projected total of \$1.8 billion in spending in 1998, the Telecommunication Equipment industry is by far the largest spender on R&D, representing almost 20% of all Canadian private sector R&D expenditures.

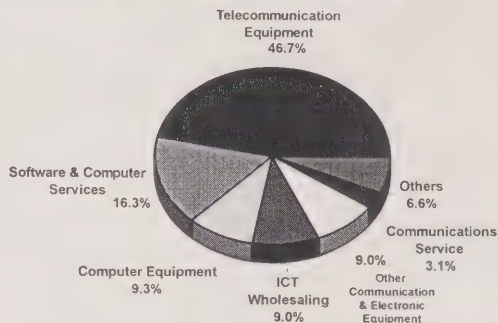
### *...and have a knowledge-intensive workforce...*

- Employment in the ICT sector is characterized by a high level of education. In the Software & Computer Services industry, 46% of employees have a university degree, 2½ times higher than the national average of 19%.
- In other ICT industries, such as Computer Equipment, Communication & Electronic Equipment, and Telecommunication Services, the proportion of employees with a university degree is also significantly above the Canadian average.

### *...that earns above-average wages*

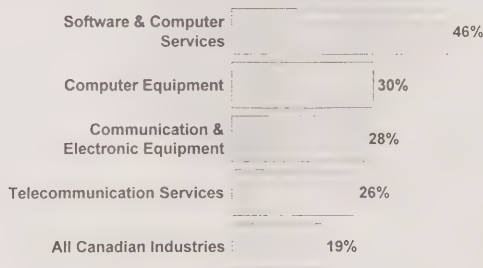
- Employees in this sector are also well rewarded. Workers in the Computer Equipment industry earned on average \$47,805 in 1998, 52% more than the economy-wide average. Employees in Software & Computer Services, Communication & Electronic Equipment, and Telecommunication Services also earned over 40% more than the Canadian average.

### R&D Expenditures by ICT industry, 1998 Intentions



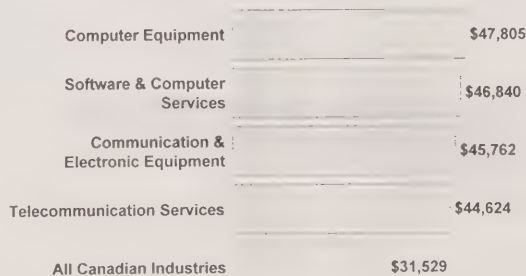
Source: Research & Development in Canadian Industry (RDCI) Survey

### Percentage of Workers with a University Degree, 1998



Source: Statistics Canada, Labour Force Survey (LFS)

### Average Annual Earnings by Industry, 1998



Source: Statistics Canada, Survey of Employment, Payrolls and Hours (SEPH)





### *Although ICT Manufacturing industries are highly export-oriented...*

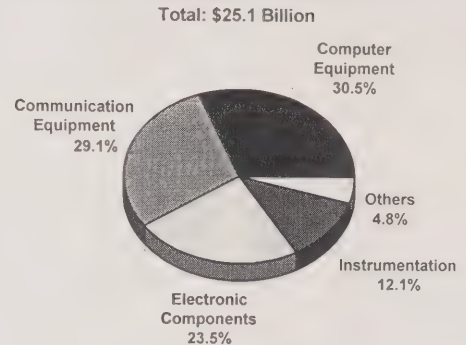
- More than three quarters of ICT products manufactured in Canada are exported. In 1998, exports of ICT goods reached \$25 billion, up 7.9% over the previous year and more than double the 1990 level.
- Exports of Computer Equipment represented the largest proportion (30.5%) of all ICT manufacturing exports in 1998. Most of these exports consist of parts such as power supplies and printed circuit boards.
- Consistent with overall trade patterns, the United States is the main market for ICT manufacturing exports. Shipments to the US reached \$20.6 billion in 1998, accounting for 82% of all ICT manufacturing exports (up from 78% in 1990).
- Shipments to the European Union totalled \$1.8 billion in 1998, representing 7.2% of total exports (down from 11.5% in 1990). Exports to the Asia-Pacific reached \$1.6 billion in 1998.

### *...Canada nonetheless still incurs a sizeable trade deficit in this sector*

- Despite the strong growth in exports, Canada's ICT sector has a large and growing trade deficit. Indeed, this deficit has grown from \$8.4 billion in 1990 to \$19.9 billion in 1998.
- This rising deficit is mainly due to higher imports of electronic components which reached \$15.5 billion in 1998 (including \$9.0 billion in imports of semiconductors). Canada is aggressively seeking investment in a semiconductor plant to improve our trade position.

For further information on the Canadian ICT sector, you are invited to consult the ICT Statistical Review which is published on Strategis at <http://strategis.ic.gc.ca/infotech>.

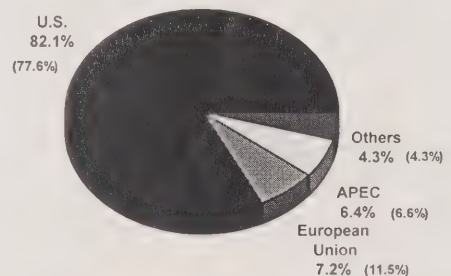
### ICT Manufacturing Exports by Industry, 1998



Source: Industry Canada, ICT Statistical Review.

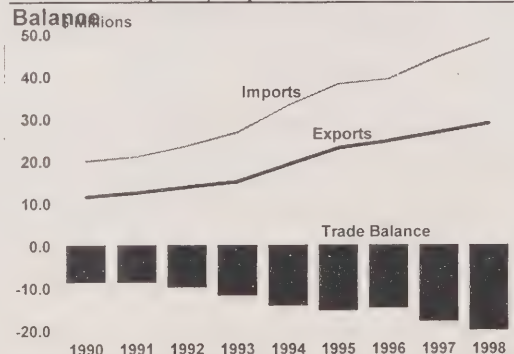
### ICT Manufacturing Exports by Region, 1998

1998 Share of Total (1990 share in brackets)



Source: Industry Canada, ICT Statistical Review.

### ICT Total Exports, Imports and Trade



#### Note to Readers:

Some 1997 and 1998 data reported in this article are slightly different from data reported in previous publications since it includes the latest revisions made by Statistics Canada to data previously published.





## COMING UP

### Key Future Data Releases and Planned Events



#### CANADA

Survey of Manufacturing – September .....	November 16
Monetary Policy Report (Bank of Canada) .....	November 17
International Trade – September .....	November 18
Consumer Price Index – October .....	November 19
GDP at factor cost – September .....	November 30
National Economic & Financial Accounts – 3rd Quarter 1999 .....	November 30
Balance of International Payments – 3rd Quarter 1999 .....	November 30
Labour Force Survey – November .....	December 3
Financial Statistics For Enterprises – 3rd Quarter 1999 .....	December 6
Capacity Utilization Rates – 3rd Quarter 1999 .....	December 7

#### UNITED STATES

Federal Open Market Committee meeting .....	November 16
Consumer Price Index – October .....	November 17
International Trade – September .....	November 18
GDP – 3rd Quarter 1999, Preliminary .....	November 24
Employment Situation – November .....	December 3

Note: the November MEI uses data available as of November 5, 1999

The Special Report scheduled for the December MEI is entitled  
"1999: The Year in Review"



# MONTHLY ECONOMIC INDICATORS

## December 1999

### HIGHLIGHTS

✳ **Canada's unemployment rate falls to an 18-year low of 6.9% in November, with strong employment gains for the third straight month.**

✳ **Output rises 4.7% (annual rate) in the third quarter, boosted by strong demand at home and in the United States.**

✳ **The Bank of Canada raises its key lending rate by 25 basis points on November 17 as the economy gathers strength.**

✳ **Canadian stock prices reach a new all-time high in November but the dollar retreats on fears of higher U.S. interest rates.**

### Key Monthly Economic Indicators

		<u>% Change since</u>		
		last month	last year	
Real GDP (\$92 B)	755.1	0.2	4.4	Sept
Goods	253.2	0.7	6.0	Sept
Services	501.9	0.0	3.6	Sept
Composite Index	218.3	0.5	5.1	Oct
Employment (000's)	14,876	0.4	2.4	Nov
Full-time	12,206	0.7	3.5	Nov
Part-time	2,670	-1.1	-2.5	Nov
Unemployment* (%)	6.9	7.2	8.0	Nov
Youth*	13.2	14.0	14.5	Nov
Adult*	5.7	5.9	6.7	Nov
CPI inflation*	2.3	2.6	1.0	Oct
Retail Sales (\$M)	22,199	0.4	6.9	Sept
Housing Starts (000's)	155.1	5.1	18.8	Nov
Trade Balance* (\$M)	2,522	3,635	1,840	Sept
Exports	30,347	-3.2	9.5	Sept
Imports	27,825	0.4	7.5	Sept
M&E	9,007	-1.0	2.7	Sept
3-mth Corp. paper* (%)	5.05	5.05	5.09	Dec 1
Long bond yield* (%)	6.19	6.36	5.47	Dec 1
Canadian dollar* (US¢)	67.59	67.82	65.23	Dec 3

\*Data in levels only – % change not reported.

**This issue's Special Report:  
1999 - The Year in Review**

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).



Industry  
Canada

Industrie  
Canada

Canada



# **MONTHLY ECONOMIC INDICATORS**

## **December 1999**

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This report uses data available as of December 8, 1999. It has been prepared by Marianne Blais, Joe Macaluso, Alison McDermott, André Patry and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. The special report in this issue on 1999 – The Year in Review was prepared by Julie Dubois and Alison McDermott. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).







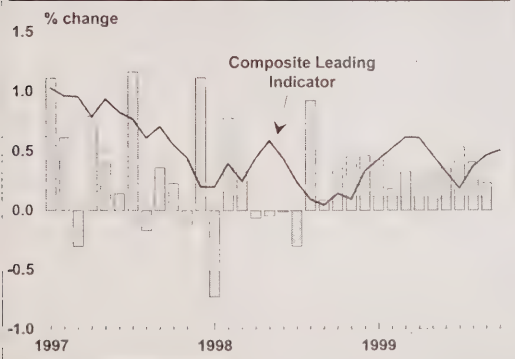
### Real GDP records its 14th consecutive advance in September...

- Real GDP advanced 0.2% in September, about half the pace of the previous three months. This was the fourteenth consecutive monthly increase, extending the longest uninterrupted string of monthly gains in over a decade.

### ...driven mainly by gains in the Goods-producing industries

- Growth was concentrated in the Goods-producing industries in September with production rising 0.7%. While output expanded in most major categories, the largest gain was in Mining (only its third increase so far this year), as higher oil prices spurred drilling and rigging activity. Elsewhere, a 15% rise in electricity exports to the United States boosted Other Utilities production. Following three monthly gains in excess of 1.0%, Manufacturing rose a modest 0.3% as production of autos fell back.
- Output in the Services industries was essentially unchanged in September. This weaker performance resulted from a sharp loss in Wholesale Trade – as demand for computer equipment and software slowed – and lower production in Finance & Insurance and Retail Trade. These losses were offset by advances in the other major categories, led by continued strong growth in Business Services and notable gains in Transportation & Storage and Other Services.

Real GDP at Factor Cost

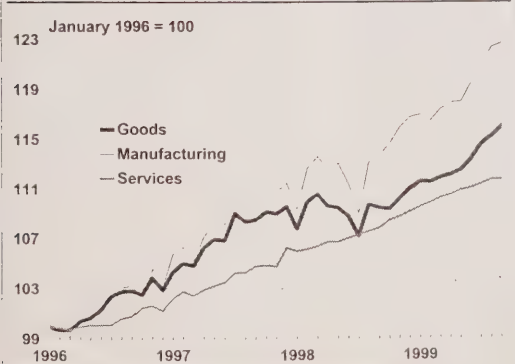


Real GDP at Factor Cost (1992 dollars)

September 1999	\$ millions	monthly change	% Change since last	
			month	year
<b>Total Economy</b>	<b>755,075</b>	<b>1,764</b>	<b>0.2</b>	<b>4.4</b>
<b>Business sector</b>	<b>625,968</b>	<b>1,577</b>	<b>0.3</b>	<b>5.2</b>
<b>Goods</b>	<b>253,199</b>	<b>1,686</b>	<b>0.7</b>	<b>6.0</b>
Agriculture	13,510	26	0.2	5.4
Fishing & Trapping	674	-22	-3.2	-11.0
Logging & Forestry	4,421	16	0.4	4.9
Mining*	26,744	627	2.4	-1.1
Manufacturing	139,890	367	0.3	7.9
Construction	41,915	239	0.6	5.3
Other Utilities	26,045	433	1.7	5.9
<b>Services</b>	<b>501,876</b>	<b>78</b>	<b>0.0</b>	<b>3.6</b>
Transport & Storage	35,413	237	0.7	6.3
Communications	26,038	114	0.4	8.0
Wholesale Trade	45,816	-815	-1.7	9.5
Retail Trade	47,083	-59	-0.1	4.3
Finance & Insurance	41,548	-149	-0.4	1.9
Real Estate & Ins. Agent	79,670	65	0.1	2.4
Business services	43,965	293	0.7	7.8
Government services	45,690	153	0.3	2.0
Education	40,444	13	0.0	1.2
Health & Social Services	46,885	35	0.1	-1.2
Accommodation & Food	19,568	33	0.2	2.0
Other	29,756	158	0.5	1.7

\*Includes Quarrying and Crude Petroleum & Natural Gas

Real GDP by major sector





# THE ECONOMY

## Consumer Spending and Attitudes



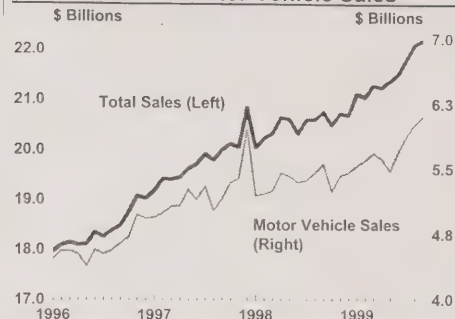
### Real consumer spending growth remains strong in the third quarter...

- Real consumption rose 4.8% (annual rate) in the third quarter, keeping pace with growth recorded since the beginning of the year. Indeed, growth in consumer spending has exceeded 4% in each quarter so far this year.
- Increases were largest for consumer durables (boosted by higher purchases of motor vehicles) but spending increased across all major categories, including services, semi-durables, and non-durables.

### ...and disposable income surges

- Personal disposable income recorded its strongest quarterly advance so far this year, increasing 4.8% in the third quarter.
- Household debt levels were essentially unchanged in the quarter, leading to a drop of almost one percentage point in the debt-to-income ratio. However, the saving rate edged down to 0.3% in the third quarter.

### Total Retail and Motor Vehicle Sales



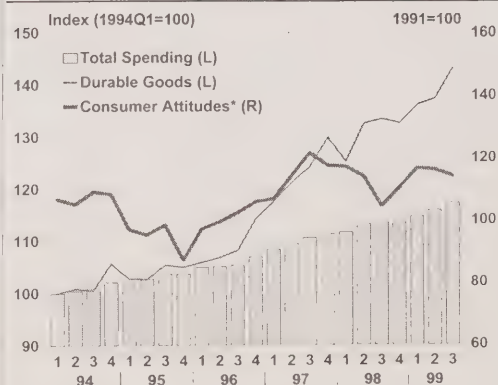
### Retail Sales and Consumer Credit

	\$ millions	% Change since	
		last month	last year
<b>September 1999</b>			
<b>Total Retail Sales (S.A.)</b>	22,199	0.4	6.9
Food	4,907	-0.2	1.8
Drug Stores	1,122	0.2	4.1
Clothing	1,168	-2.6	0.2
Furniture	1,141	-0.9	8.4
Automotive	8,881	1.1	10.2
General Merch. Stores	2,616	1.6	11.6
All other Stores	2,364	-0.3	5.1
Total ex. motor vehicles	16,088	-0.0	5.8
<b>Consumer Credit (unadjusted)</b>	168,052	1.0	8.4

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	1997	1998	1999 Q2	1999 Q3
<b>Real Consumption (92\$)</b>	472,867	485,906	498,600	504,440
% change	4.2	2.8	4.3	4.8
<b>Durable Goods</b>	62,823	66,801	70,032	73,008
% change	13.3	6.3	3.5	18.1
<b>Semi-Durable Goods</b>	44,334	46,526	47,376	48,024
% change	4.3	4.9	2.4	5.6
<b>Non-Durable Goods</b>	118,293	119,521	121,476	121,572
% change	1.3	1.0	1.6	0.3
<b>Services</b>	247,417	253,058	259,716	261,836
% change	3.4	2.3	6.1	3.3
<b>Disposable Income</b>	534,728	552,778	564,848	571,456
% change	3.1	3.4	3.0	4.8
<b>Saving Rate (%)</b>	2.8	2.3	0.9	0.3
<b>Debt-to-Income Ratio (%)</b>	96.4	98.3	100.4	99.3

### Real Consumer Spending and Attitudes



\*Conference Board of Canada





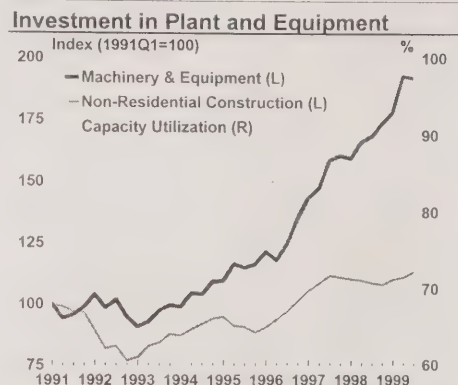
# THE ECONOMY

## Business Investment in Plant and Equipment



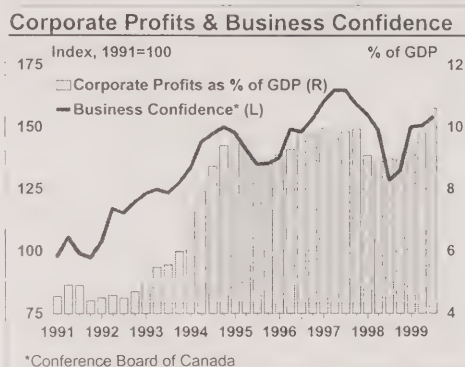
### Business investment slows down in the third quarter...

- Growth in business investment in plant and equipment slowed to 0.4% (annual rate) in the third quarter, down from 5.5% in the previous quarter. The slower advance was due to a 1.8% decline in M&E spending, fuelled by lower investment in aircraft and computers.
- Higher investment in non-residential building and engineering structures in the third quarter resulted in an increase of 8.5% (annual rate) in Non-Residential Construction. This was the third consecutive increase following five straight declines.



### ...but higher capacity utilization and stronger profits bode well for future investments

- Capacity utilization in non-farm producing industries jumped up to 86.0% in the third quarter, its highest rate since the 1987-88 economic expansion.
- Corporate operating profits rose 34.0% (annual rate) in the third quarter, propelled by a sharp increase in profits of non-financial industries. The strong pick up in profits is due to firming commodity prices and strong domestic and U.S. demand for Canadian products.



### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1997	1998	1998 Q4	1999 Q1	1999 Q2	1999 Q3 *
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	59,112	64,701	67,284	69,048	74,708	74,364
% change	22.2	9.5	12.7	10.9	37.0	-1.8
Non-residential Construction (1992\$)	39,079	39,110	38,696	39,448	39,756	40,572
% change	14.0	0.1	-2.4	8.0	3.2	8.5
Capacity Utilization (% , Non-farm goods)	83.8	83.2	83.0	83.7	84.2	86.0
Capacity Utilization (Mfg. sector)	83.7	83.8	84.5	84.9	85.5	87.6
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	146,023	132,032	138,172	144,096	147,952	159,180
% change	20.9	-9.6	64.8	18.3	11.1	34.0
Profits - Non-financial industries	90,839	82,442	90,592	99,012	102,880	115,684
% change	16.5	-9.2	75.9	42.7	16.6	59.9
Profits - Financial industries	55,186	49,590	47,580	45,084	45,072	43,496
% change	29.0	-10.1	45.9	-19.4	-0.1	-13.3
Business Credit	624,005	686,484	702,367	708,707	710,032	719,229
% change	9.2	10.0	3.3	3.7	0.8	5.3





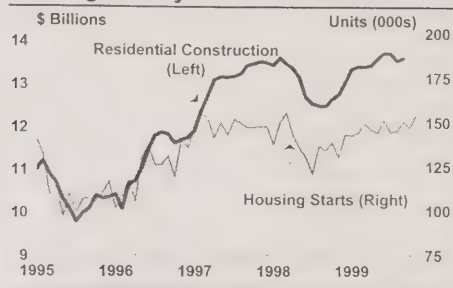
### *Residential investment slows down in the second quarter...*

- After recording double-digit growth rates in the first two quarters of the year, business investment in residential structures slowed to 2.5% (annual rate) in the third quarter.
- Investment in alterations and improvements decreased for the first time in a year, partly explaining this slower growth. All other major components of residential investment advanced at a slower pace compared to recent quarters.

### *...but is likely to pick up again in the fourth quarter*

- Residential investment is likely to pick up in the fourth quarter, as economic growth remains solid and labour market conditions improved further in November.
- Although sales of existing homes were down in October, residential construction intentions were up 14.4% in October, the biggest monthly increase since early 1990.
- Moreover, housing starts increased sharply in November, more than offsetting a loss in the previous month.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	13,637	0.4%	9.0%
Building Permits, \$M (2)	1,776	14.4%	26.7%
Sales of Existing Homes (2) (# of units)	18,924	-1,143	
Housing Starts, # of units (3)	155,100	7,500	24,500
Newfoundland	1,100	300	500
Prince Edward Island	400	100	200
Nova Scotia	3,100	-100	1,400
New Brunswick	2,100	700	500
Quebec	19,800	-1,400	-100
Ontario	67,000	7,500	17,100
Manitoba	1,500	-1,200	200
Saskatchewan	1,600	-600	-500
Alberta	21,200	-800	1,000
British Columbia	16,600	3,000	4,300

1 - September data; 2 - October data; 3 - November data.  
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

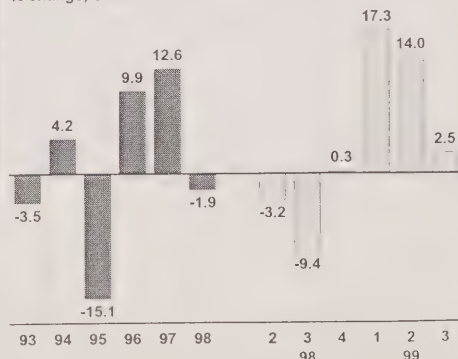
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1997	1998	1999 Q2	1999 Q3
Residential Construction	42,348	41,547	44,056	44,336
% change	12.6	-1.9	13.9	2.6
Construction by Business sector	42,223	41,422	43,928	44,200
% change	12.6	-1.9	14.0	2.5
New Housing	21,441	20,695	21,876	22,272
% change	19.5	-3.5	9.9	7.4
Alterations & Improvements	13,315	13,645	14,252	14,016
% change	7.2	2.5	4.3	-6.5
Ownership & Transfer Costs	7,592	7,207	7,928	8,048
% change	4.5	-5.1	49.3	6.2

### Growth in Real Residential Construction

% change, SAAR





# THE ECONOMY

## Trade and Competitiveness



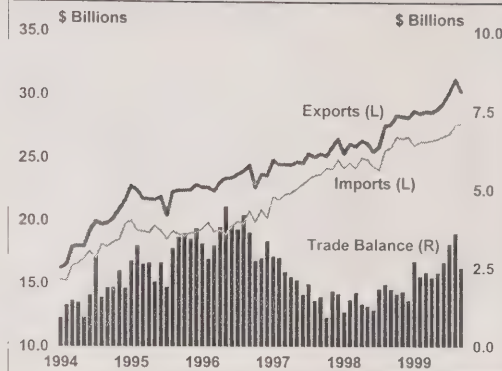
### Lower exports of Automotive Products...

- Exports fell 3.2% in September, registering their first decline since April. This sluggish performance was related to a sharp fall in exports of Automotive Products, which dropped 10.4% following a solid 15.7% advance in August. Exports of Industrial Goods & Materials were also down on the month. The largest gain was recorded in Energy Products, driven by higher prices for crude oil.
- Imports rose 0.4% in the month, fuelled by a solid increase in Energy Products related to higher prices and inventory stockpiling for the winter. Major declines were recorded in the Automotive Products and Machinery & Equipment categories.

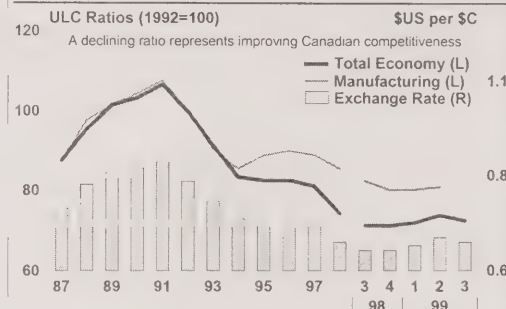
### ...contribute to a lower trade surplus

- The trade balance fell for the first time in five months, recording a surplus of \$2.5 billion in September. This is down from a three year high of \$3.6 billion in August.
- However, the cumulative trade surplus of \$24 billion over the January-September period is almost twice that recorded over the same period a year earlier.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

### Merchandise Trade

September 1999	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	1999 August	1999 Sept	1998 Jan-Sept	1999 Jan-Sept	Aug. to Sept 1999	Aug. to Sept 1999	
<b>Exports</b>	<b>31,347</b>	<b>30,347</b>	<b>237,198</b>	<b>265,388</b>	<b>-1,000</b>	<b>-3.2</b>	<b>9.5</b>
to United States	27,164	26,146	197,150	228,191	-1,018	-3.7	11.4
<b>Imports</b>	<b>27,712</b>	<b>27,825</b>	<b>223,304</b>	<b>241,245</b>	<b>113</b>	<b>0.4</b>	<b>7.5</b>
from United States	21,095	21,129	171,393	185,048	34	0.2	6.0
<b>Trade Balance</b>	<b>3,635</b>	<b>2,522</b>	<b>13,894</b>	<b>24,143</b>	<b>-1,113</b>		
with United States	6,069	5,017	25,757	43,143	-1,052		
<b>Exports by Commodity</b>							
Agriculture/Fishing Products	2,135	2,140	18,698	18,991	5	0.2	-0.8
Energy Products	2,658	2,770	18,268	20,898	112	4.2	29.7
Forestry Products	3,297	3,296	26,082	28,874	-1	0.0	13.0
Industrial Goods & Materials	4,939	4,741	43,400	42,218	-198	-4.0	0.6
Machinery & Equipment	7,175	7,206	58,769	62,423	31	0.4	8.6
Automotive Products	8,854	7,931	54,157	71,663	-923	-10.4	13.0
Other Consumer Goods	1,138	1,106	9,159	10,186	-32	-2.8	1.7
<b>Imports by Commodity</b>							
Agriculture/Fishing Products	1,479	1,460	12,804	13,196	-19	-1.3	2.0
Energy Products	887	1,136	6,683	7,238	249	28.1	56.7
Forestry Products	233	238	1,843	2,037	5	2.1	15.5
Industrial Goods & Materials	5,193	5,246	44,776	45,665	53	1.0	3.1
Machinery & Equipment	9,100	9,007	74,712	79,914	-93	-1.0	2.7
Automotive Products	6,728	6,593	48,059	56,647	-135	-2.0	15.2
Other Consumer Goods	3,068	3,152	25,338	27,395	84	2.7	7.7





# LABOUR MARKET TRENDS

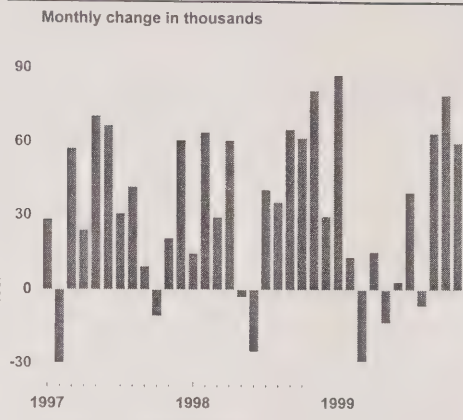
## Employment and Unemployment



### Employment posts its third straight solid gain in November...

- The Canadian economy created 60,000 jobs in November, the third consecutive solid gain following a sustained period of weakness earlier in the year.
- In keeping with recent trends, full-time employment gained at the expense of part-time work during the month. Total employment is up 313,000 so far this year, with full-time employment rising by 397,000 and the number of part-time jobs falling 84,000.
- While total employment growth has been weaker than last year (2.1% versus 3.0%), the number of hours worked has increased at the same 2.2% pace.

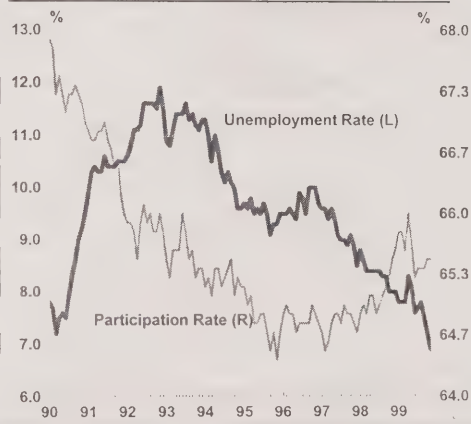
### Employment



### ...pushing the unemployment rate down to an 18-year low of 6.9%

- The strong jobs performance in November lowered the national unemployment rate by 0.3 percentage points to 6.9%. This is the lowest unemployment rate since August 1981.
- The adult unemployment rate fell to 5.7% in November, down 0.2 points from the previous month. The youth unemployment rate was down 0.8 points to 13.2%.

### Unemployment Rate



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1998 November	1999 October	1999 November	last month	last year	year-to- date	last month	last year
Employment	14,533.8	14,816.1	14,876.0	59.9	342.2	312.6	0.4	2.4
Full-time	11,795.9	12,117.5	12,206.3	88.8	410.4	396.6	0.7	3.5
Part-time	2,737.9	2,698.6	2,669.7	-28.9	-68.2	-84.0	-1.1	-2.5
Youth 15-24	2,173.2	2,219.7	2,235.5	15.8	62.3	54.0	0.7	2.9
Adult 25+	12,360.6	12,596.4	12,640.5	44.1	279.9	258.6	0.4	2.3
Self-employed	2,604.4	2,533.4	2,552.1	18.7	-52.3	-37.5	0.7	-2.0
Unemployment	1,262.7	1,148.3	1,108.5	-39.8	-154.2	-163.7	-3.5	-12.2
Unemployment Rate	8.0	7.2	6.9	-0.3	-1.1	-1.1		
Youth 15-24	14.5	14.0	13.2	-0.8	-1.3	-1.2		
Adult 25+	6.7	5.9	5.7	-0.2	-1.0	-1.1		
Labour Force	15,796.5	15,964.4	15,984.5	20.1	188.0	148.9	0.1	1.2
Participation Rate	65.5	65.5	65.5	0.0	0.0	-0.1		
Employment Rate	60.3	60.8	60.9	0.1	0.6	0.5		



# LABOUR MARKET TRENDS

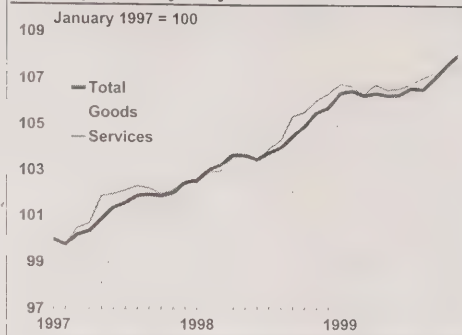
## Industry Overview



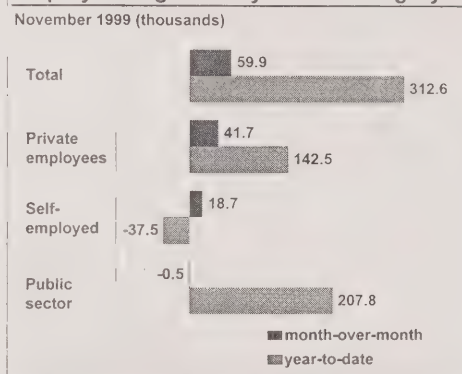
### Services account for most of the November job gains...

- Widespread gains in the Service sector (+52,000) accounted for most of November's job growth. The largest increases were posted by Transportation and Professional, Scientific & Technical Services. Employment in Public Administration fell sharply, and is now down 7.9% on a year-over-year basis.
- Employment in Goods-production edged up 8,000 on the month. Solid gains in Construction and Natural Resource-related industries were largely offset by losses in Manufacturing and Utilities. Manufacturing employment, though down on the month, is up 8.0% compared to last November.

### Employment by major sector



### Employment growth by worker category



### ...as private sector employment continues to rebound

- The number of paid employees in the private sector increased by 42,000 in November, the fifth straight monthly rise. This string of advances was preceded by five straight months of declines.
- Employment in the public sector edged down slightly in November, but is still up sharply on a year-to-date basis. In fact, unlike in previous years, job gains in this sector have outpaced those in the private sector so far this year.

### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1998 November	1999 October	1999 November	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,761.9	3,918.6	3,926.2	7.6	164.3	164.0	0.2	4.4
Agriculture	406.4	385.2	387.9	2.7	-18.5	-24.3	0.7	-4.6
Other Primary*	279.6	272.3	283.0	10.7	3.4	3.0	3.9	1.2
Utilities	116.3	128.7	115.0	-13.7	-1.3	-0.2	-10.6	-1.1
Construction	815.7	794.0	823.8	29.8	8.1	10.7	3.8	1.0
Manufacturing	2,144.0	2,338.5	2,316.4	-22.1	172.4	174.7	-0.9	8.0
<b>Service-producing</b>	10,771.8	10,897.5	10,949.8	52.3	178.0	148.6	0.5	1.7
Trade	2,243.6	2,282.3	2,286.8	4.5	43.2	45.7	0.2	1.9
Transportation	709.4	774.6	796.1	21.5	86.7	65.4	2.8	12.2
FIRE*	881.4	912.5	906.0	-6.5	24.6	7.9	-0.7	2.8
Professional/Scientific	931.3	903.8	920.4	16.6	-10.9	-16.2	1.8	-1.2
Management/Administrative	490.9	513.0	522.0	9.0	31.1	34.9	1.8	6.3
Educational Services	955.8	994.7	993.3	-1.4	37.5	54.0	-0.1	3.9
Health Care/Social Assistance	1,481.3	1,497.4	1,503.3	5.9	22.0	12.6	0.4	1.5
Information/Culture/Recreation	647.1	661.7	669.9	8.2	22.8	26.6	1.2	3.5
Accommodation & Food	929.5	942.4	945.8	3.4	16.3	13.3	0.4	1.8
Other Services	724.9	685.7	691.4	5.7	-33.5	-40.5	0.8	-4.6
Public Administration	776.5	729.3	715.0	-14.3	-61.5	-54.9	-2.0	-7.9

\*Other Primary: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing





# LABOUR MARKET TRENDS

## Provincial Overview



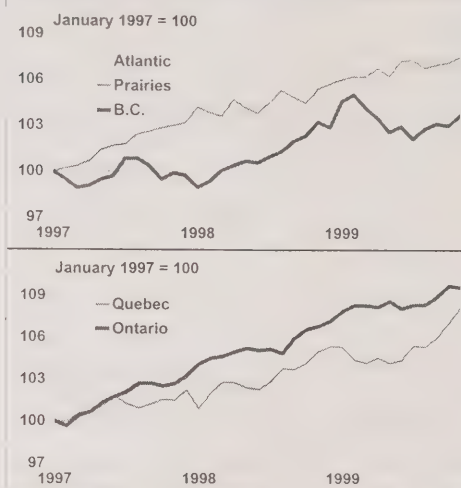
### Quebec and British Columbia lead in job growth...

- Most of the total net increase in employment for November can be attributed to major gains in Quebec (+36,000) and British Columbia (+13,000).
- Employment was down slightly in Ontario and Saskatchewan. All other provinces registered higher employment on the month.

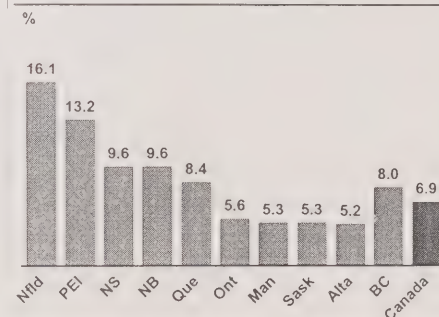
### ...but employment conditions improve in most provinces

- The unemployment rate fell in all provinces except British Columbia and Alberta in November. The B.C. unemployment rate increased to 8.0%, as sizeable employment gains were outpaced by an even larger increase in the labour force. Alberta's unemployment was unchanged at 5.2%.
- Strong job gains lowered Quebec's unemployment rate by 0.7 percentage points to 8.4%, its lowest rate since 1976. Despite modest job losses in Ontario and Saskatchewan, declines in the labour force pushed down unemployment rates in these two provinces.
- All Atlantic provinces recorded lower unemployment rates in November on the strength of solid job gains.

### Regional employment patterns



### Unemployment Rates -- November 1999



### Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels	Change since		Change since			Levels	Change since	
	1999 November	last month (000's)	%	last year (000's)	%		last month	last year	
Canada	14,876.0	59.9	0.4	342.2	2.4		6.9	-0.3	-1.1
Newfoundland	210.7	1.3	0.6	7.6	3.7		16.1	-0.4	-2.1
P.E.I.	63.3	1.1	1.8	3.0	5.0		13.2	-0.3	-0.9
Nova Scotia	416.8	2.6	0.6	13.4	3.3		9.6	-0.3	-1.4
New Brunswick	341.3	4.2	1.2	8.4	2.5		9.6	-0.3	-1.8
Quebec	3,487.2	35.8	1.0	100.9	3.0		8.4	-0.7	-1.4
Ontario	5,834.5	-7.2	-0.1	147.5	2.6		5.6	-0.4	-1.3
Manitoba	561.9	3.2	0.6	9.9	1.8		5.3	-0.1	-0.2
Saskatchewan	483.0	-0.2	-0.0	1.2	0.2		5.3	-0.7	-0.6
Alberta	1,567.7	6.2	0.4	41.4	2.7		5.2	0.0	-0.9
B.C.	1,909.6	12.8	0.7	8.9	0.5		8.0	0.6	0.2



# PRICES and FINANCIAL MARKETS

## Consumer and Commodity Prices



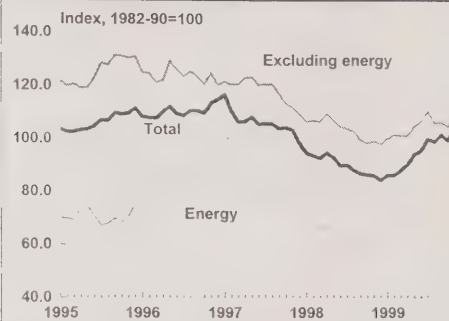
### Inflation edges down in October...

- The year-over-year rate of CPI inflation was 2.3% in October, down slightly from 2.6% in September but still well above rates registered early in the year.
- Higher energy prices are responsible for most of the recent pick-up in inflation. In October, increases in prices for fuel oil, natural gas and gasoline lifted the energy component by 11.5% on a year-over-year basis. Higher prices for automobiles and university tuition also contributed to the year-over-year increase in the CPI, while lower prices for computer equipment and telephone services exerted downward pressure on the index.
- Commodity prices jumped up 5.7% in November, bringing the year-over-year increase to 22.0%. A spike in energy prices led the monthly rise, but non-energy prices were also up.

### ...leaving the "core" rate well within the official target range

- When the volatile food and energy components and the impact of indirect taxes are excluded, the "core" rate of inflation fell to 1.6% in October. This remains within the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.

### Commodity Prices (\$U.S. basis)



### Consumer Prices

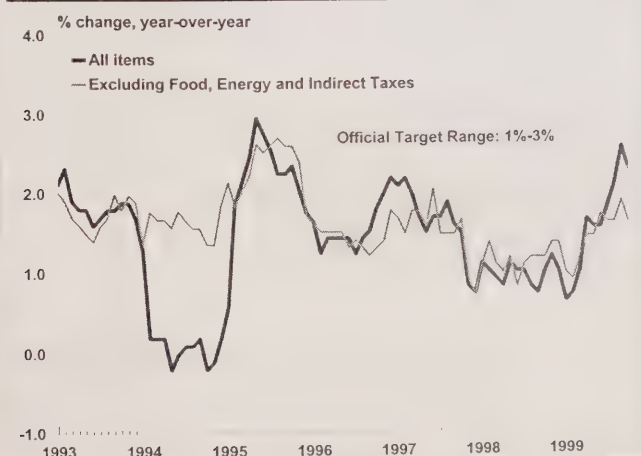
October 1999

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	111.5	0.1	2.3
Food	109.9	0.1	1.3
Shelter	105.8	0.2	1.5
Household operations	109.6	0.1	1.5
Clothing & Footwear	107.3	0.1	1.1
Transportation	127.1	0.1	5.5
Health & Personal Care	110.6	0.0	1.7
Recreation, Educ. & Reading	122.0	-0.3	2.4
Alcohol & Tobacco	94.6	0.0	1.4
Excl. Food/Energy/Indirect Taxes	112.6	-0.1	1.6
Energy	116.8	1.2	11.5

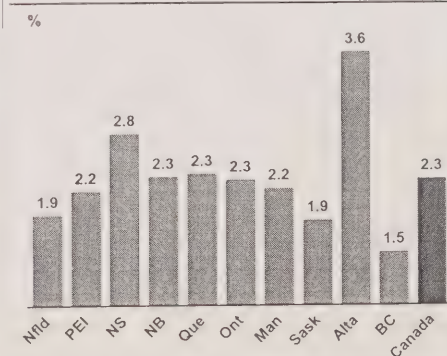
### Commodity Prices (November)

Index, 1982-90=100	105.0	5.7	22.0
Excluding Energy	109.5	4.6	10.5
Energy	96.7	8.4	56.7

### Consumer Price Index



### Provincial CPI Inflation -- October 1999







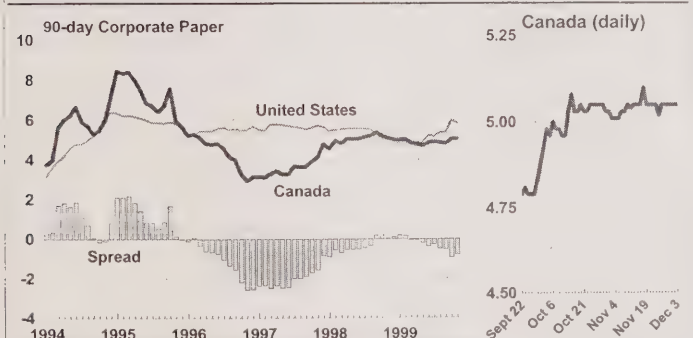
### *The Bank of Canada raises rates for the first time since August 1998...*

- The Bank of Canada raised the trend-setting Bank Rate by 25 basis points to 5.0% on November 17, the first increase in over a year. The Bank of Canada's move reflects the growing strength of the domestic economy and a similar increase in the U.S. federal funds rate.
- Although November's increase triggered a quarter-point increase in the Prime Lending rate, Canadian short term rates have been relatively stable since early October. Moreover, the spread between short term and long term rates has narrowed in the U.S., indicating that further increases in short rates in North American money markets are not expected to be large.

### *...but rates in Canada remain below comparable U.S. rates*

- Interest rates are currently lower in Canada on both the long and short end of the yield curve. Canadian short-term bonds were 85 basis points below their U.S. counterparts on December 1. On the long end, Canadian rates moved roughly in step with their American counterparts throughout November, closing the period 11 basis points below comparable U.S. yields.

#### Short-term Interest Rates

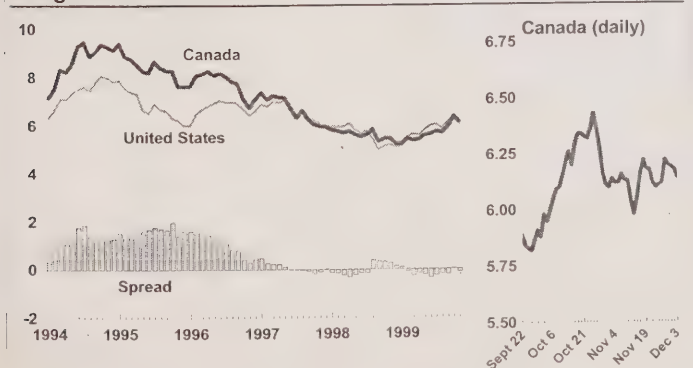


#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1997	4.80	-0.85	5.95	0.02
1998	5.02	0.09	5.23	0.14
Jun 1999	4.86	-0.38	5.63	-0.35
July	4.91	-0.26	5.74	-0.27
Aug	4.87	-0.50	5.68	-0.19
Sept	4.83	-0.53	5.91	-0.22
Oct	5.05	-0.93	6.36	0.03
Nov	5.05	-0.80	6.10	-0.12
Dec 1	5.05	-0.85	6.19	-0.11

A positive spread indicates that Canadian rates are above their U.S. counterparts.

#### Long-term Bond Yields



#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1997	4.50	6.00	6.65	7.05
1998	5.25	6.75	6.20	6.60
Jun 1999	4.75	6.25	6.75	7.70
July	4.75	6.25	7.05	7.75
Aug	4.75	6.25	7.05	7.80
Sept	4.75	6.25	6.80	7.70
Oct	4.75	6.25	7.35	8.25
Nov	5.00	6.50	7.35	8.25
Dec 1	5.00	6.50	7.35	8.25





# PRICES and FINANCIAL MARKETS

## Exchange Rates and Stock Prices



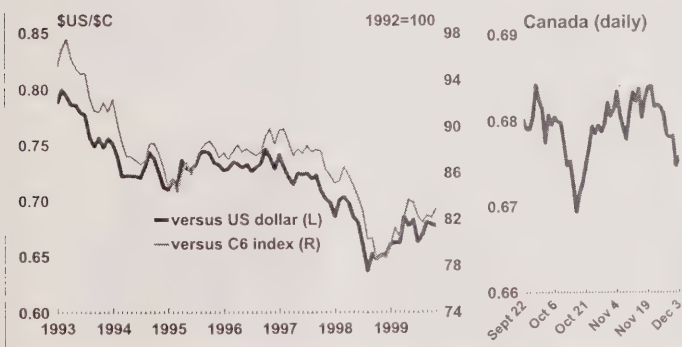
### The stock market reaches a record high in November...

- The TSE 300 index climbed steadily in November, breaking through the previous intra day record of 7835 to reach a new high of 7889 on November 26. Stock prices subsequently retreated as interest rate jitters resurfaced briefly toward the end of the month, but then quickly recovered with the release of a modest U.S. jobs report which eased worries of inflation in the U.S. Technology and utility stocks made the biggest gains on the month, while gold and energy stocks fell back.

### ...but the Canadian dollar retreats from earlier gains

- After holding firm above the U.S. 68¢ mark over much of the first half of November, the Canadian dollar tumbled towards the end of the month. As a result, the dollar closed on December 3 at \$U.S. 0.6759.
- The dollar's slide appears to be linked to fears of higher interest rates in the U.S. Improving economic fundamentals in Canada – strong growth, low inflation, and unemployment at its lowest rate since August 1991 – are expected to provide support to the Canadian dollar in coming months. The dollar should also benefit from firming commodity prices and a strengthening of the Asia Pacific economies.

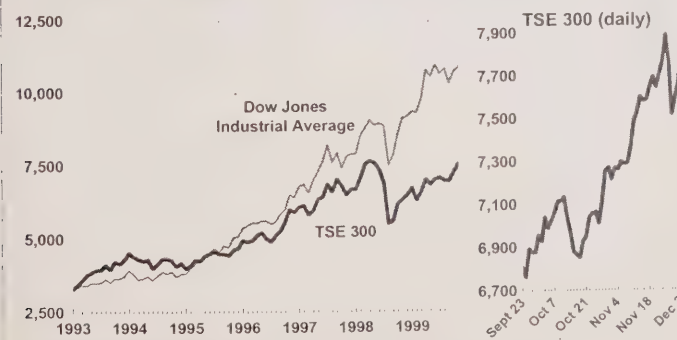
#### Canadian dollar



#### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1997	0.6991	85.87	1.247	90.87
1998	0.6522	78.71	1.082	75.91
Jun 1999	0.6835	83.50	1.283	82.17
July	0.6639	82.39	1.267	80.13
Aug	0.6700	81.79	1.236	75.80
Sept	0.6815	82.43	1.261	72.34
Oct	0.6797	82.22	1.237	71.71
Nov	0.6782	82.96	1.291	71.29
Dec 3	0.6759			

#### Stock Market Indices



#### Key Stock Market Indexes

		% change from	
	November Close	last month	last year
TSE 300	7,523	3.7	18.6
Oil & Gas	5,723	-5.6	19.1
Metals & Minerals	3,806	-2.4	20.1
Utilities	9,974	8.4	44.1
Paper & Forest	4,747	-4.6	30.1
Merchandising	4,871	0.4	-8.8
Financial Services	7,335	0.8	-10.5
Gold	5,192	-5.8	-16.4
Price-Earnings Ratio*	36.8	7.1	9.5
S&P 500	1,389	1.9	19.3
Dow Jones	10,878	1.4	19.3

\*columns 2 & 3 reflect change in levels





### *The U.S. economy roars along in the third quarter...*

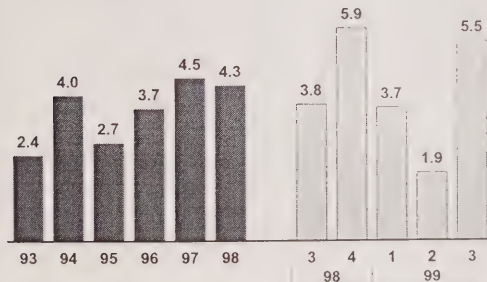
- Preliminary data indicates that U.S. real GDP surged by 5.5% (annual rate) in the third quarter of 1999, revised up from the advance estimate of 4.8%. Solid gains in consumer spending, exports and business investment all contributed to the economy's best performance so far this year. Strong import growth and lower residential investment moderated the overall gain.
- The U.S. trade deficit widened to \$24.4 billion in September, the third largest level on record. This increase was fuelled by higher imports (+0.1%) and lower exports (-0.9%). Surging imports from China boosted the deficit with that country to a record \$6.9 billion on the month.
- U.S. employment continued to advance in November, with the addition of 234,000 jobs on an economy-wide basis. The unemployment rate was unchanged at 4.1%, its lowest level in almost 30 years.

### *... as the Fed boosts interest rates to head off inflation*

- Most indicators suggest that inflation remains tame. The CPI advanced 0.2% in October, average hourly earnings edged up only 0.1% in November, and productivity accelerated at a fast pace in the third quarter (+4.2%). However, tight labour market conditions persuaded the Federal Reserve to increase its key federal funds rate by 25 basis points to 5.5% on November 16th.

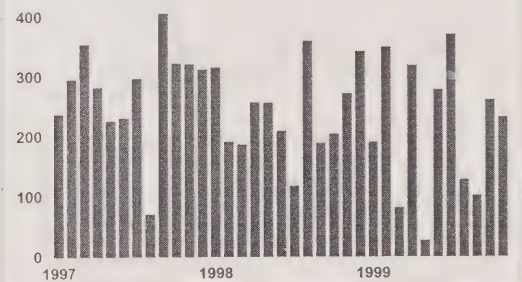
**U.S. Real GDP Growth**

% change, SAAR



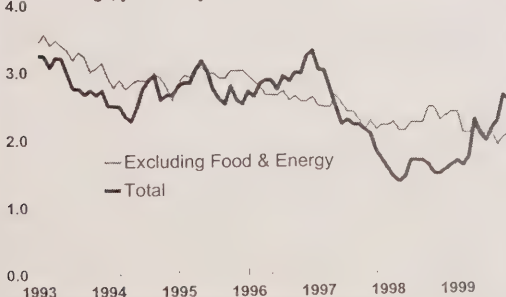
**U.S. Non-farm Payrolls**

Monthly change in thousands

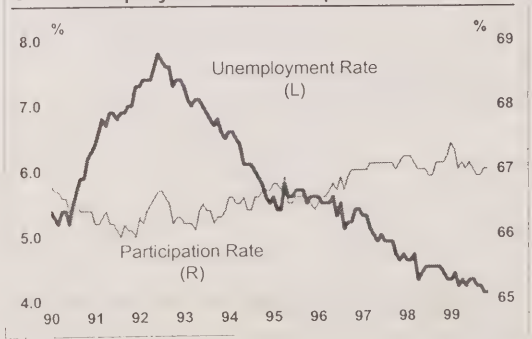


**U.S. Consumer Price Inflation**

% change, year-over-year



**U.S. Unemployment & Participation Rates**







# SPECIAL REPORT: 1999 – The Year in Review

## Trends in Output and Income



### *Economic growth in 1999 has been strong...*

- Led by growth in exports and consumer spending, real GDP increased by 4.7% (annual rate) in the third quarter of 1999.
- With the strong third quarter results, real GDP is up 3.6% over the first nine months of 1999 compared with the same period last year, with strength in both domestic demand and international trade. Growth in the Canadian economy is expected to come in around 3.7% for 1999 as a whole, well above last year's pace of 3.1%.

### *...and widespread across industries*

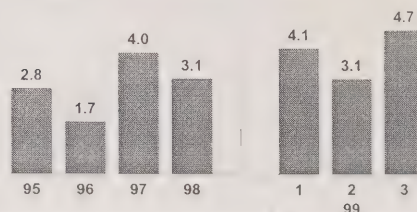
- Strong demand at home and in the U.S. has led to a sharp pick-up in Manufacturing activity (particularly in the Motor Vehicle industry). Indeed, this sector is currently growing about 60% faster than last year, and is on pace to record its best year since 1994, when output advanced 7.7%.
- Production is down overall in the Primary industries so far this year, with losses in both Fishing & Trapping and Mining, Quarrying & Oil Wells. The Agriculture and Logging & Forestry industries have benefited from a recovery in the demand and prices for natural resources. Construction activity has picked up following a flat performance in 1998.
- Growth in the Service-Producing industries has been broad-based in 1999. Output gains have been led by higher demand for Telecommunication Services, while Trade and Business Services have also continued to record solid growth.

### *Household finances nonetheless remain weak*

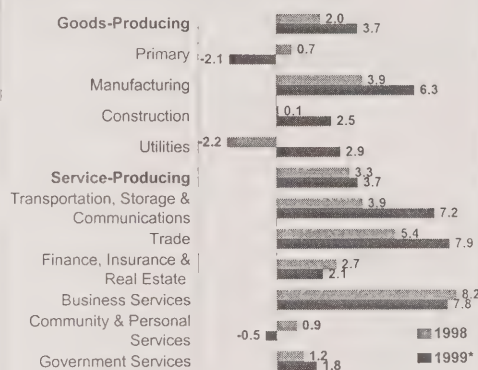
- Again in 1999, personal consumption increased faster than personal income. As a result, household finances continued to weaken.
- Household debt reached a record high of 100.4% of income in the second quarter of 1999 before falling back slightly in the following period. The personal saving rate dropped to an all-time low of 0.3% in the third quarter of the year.

#### Real GDP Growth

% Change, SAAR



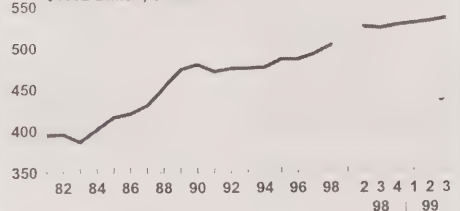
#### Real GDP Growth by Industry



\* Jan-Sept 1999 compared to Jan-Sept 1998

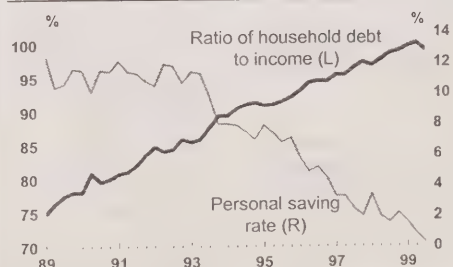
#### Real Personal Disposable Income\*

\$1992 Billion, SAAR



\* Converted to real dollars using the chain price index for personal expenditure on goods and services.

#### Personal Debt and Saving Rate





# SPECIAL REPORT: 1999 – The Year in Review

## Trends in Consumption, Investment and International Trade



### *The strong economy provides a boost to consumer confidence...*

- The worst effects of the 1998 Asian crisis – notably a sharp fall in the Canadian dollar and stock prices, as well as a run-up in interest rates – have now largely passed. Stronger economic activity in 1999 has boosted the confidence of consumers who steadily increased their spending on goods and services throughout the year.
- Growth in consumer spending has exceeded 4% (annual rate) in each of the first three quarters of the year. These gains have been dominated by strong demand for durable goods, including higher sales of motor vehicles.

### *...and supports a surge in business investment...*

- Business investment in M&E is up 13.9% over the first nine months of 1999 compared with the same period last year. Higher business profits as well as Y2K-related spending on computers have contributed to this strong growth.
- Following a weak performance in 1998, residential construction started the year off strongly before slowing somewhat in the third quarter. A recovery in non-residential construction activity in 1999 reflects in part a significant increase in investment in the public sector.

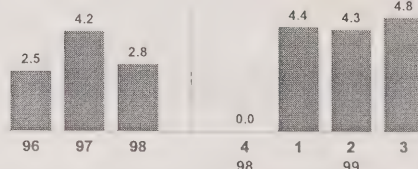
### *...as the trade balance improves*

- So far this year, exports have grown nearly twice as fast as imports. As a result, Canada's trade surplus for the first three quarters of 1999 reached \$24.1 billion, more than twice the balance recorded over the same period last year.
- Exports to the U.S. have continued to grow strongly, whereas exports to Japan and all other countries were down for the second straight year.

### Real Consumer Spending

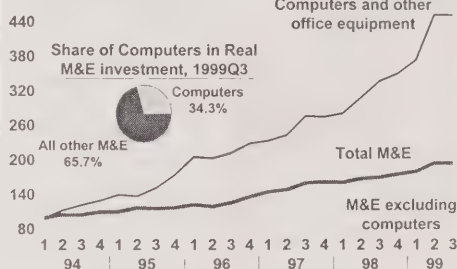
% Change, SAAR

■ Total Spending



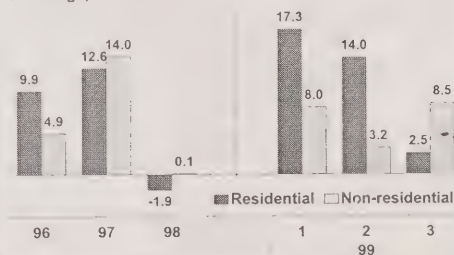
### Real Investment in Machinery and Equipment

Index, 1994Q1=100



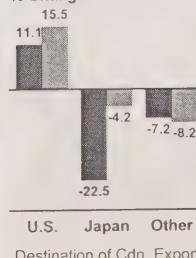
### Real Residential and Non-residential Investment

% Change, SAAR



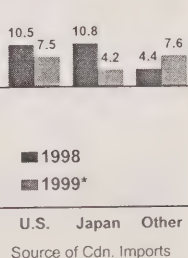
### Export Growth

% Change



### Import Growth

% Change



\* Jan-Sept 1998 compared to Jan-Sept 1999





### Employment picks up late in the year...

- After having posted the best performance in a decade last year – a net gain of 453,000 jobs – employment growth was sluggish early in 1999. However, job gains have picked up sharply since September. The Canadian economy generated 313,000 new jobs in the first eleven months of 1999, two-thirds of these over the September-November period.
- Strong growth in employment dropped the national unemployment rate to 6.9% in November, its lowest rate since August 1981.

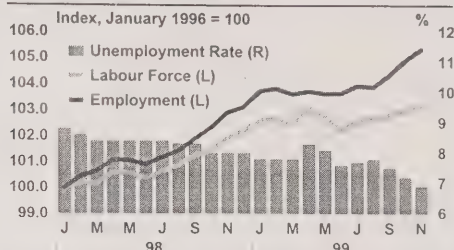
### ...in both the Goods and Service sectors

- In contrast to 1998, employment growth has been shared fairly equally between the Goods and Service sectors this year. Employment gains in the Goods sector have been concentrated in Manufacturing, especially computer and electronic products manufacturing.
- Employment growth in the Service sector is widespread, with Community Services and Transportation & Storage registering the largest increases. The overall gain in this sector would have been larger if not for job losses in Public Administration.
- Contrary to the general trend observed since 1993, the public sector has led job gains so far in 1999, owing to growth in such areas as health, education, and social services. The number of self-employed workers is down so far on the year.

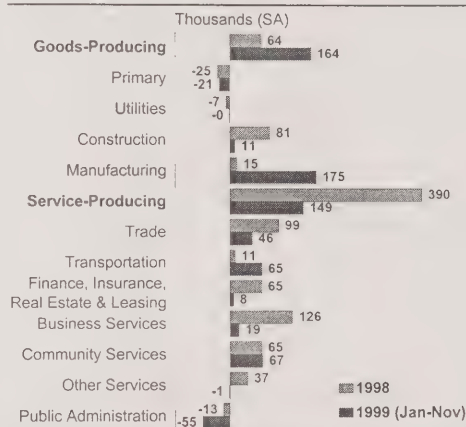
### Gains have been especially large in the Atlantic provinces and Quebec

- Newfoundland has led all provinces in employment growth since the start of the year, followed closely by Prince Edward Island. Job growth in Nova Scotia and Quebec is also well above the national average.
- Saskatchewan and British Columbia have had the lowest employment growth so far this year.

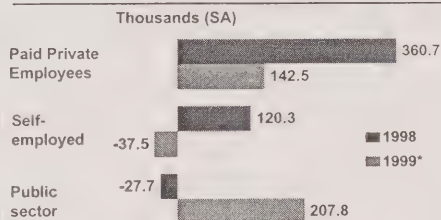
### Employment, Labour Force and the Unemployment Rate



### Job Growth

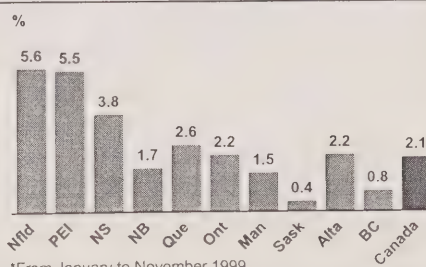


### Employment growth by worker category



\*1999 includes data from January to November inclusive.

### Employment Growth -- 1999\*



\*From January to November 1999





# SPECIAL REPORT: 1999 – The Year in Review

## Financial Market Trends



### *The Canadian dollar recovers from an all-time low...*

- The Canadian dollar has slowly rebounded from its all-time low of US 63.31¢ in August 1998 at the height of the Asia-Pacific crisis. The growing strength of the domestic economy and a rebound in commodity prices related to an improved outlook in the Asia-Pacific region have fuelled a resurgence in the dollar, particularly since August. However, its rise has been interrupted by several sharp falls linked to potential movements in U.S. and Canadian interest rates.
- The Canadian dollar closed at US 67.60¢ on December 8, down from a mid-year high of US 69.13¢ in early May, but still up more than two cents on the year.

### *...as interest rates drift upwards...*

- Two successive cuts to the trend-setting Bank Rate early in the year lowered short-term rates to 4.75% in May. Soon thereafter, however, growing fears of U.S. inflation drove up interest rates at both the long and the short end of the yield curve.
- The U.S. Federal Reserve raised its key rate in June, August, and November. The Bank of Canada hiked rates in November, to head off inflationary pressures at home.
- Long-term rates, which have trended up throughout the year, were up 87 basis points over the year, as of December 8. Short-term rates finished this period at roughly the same level as the beginning of the year.

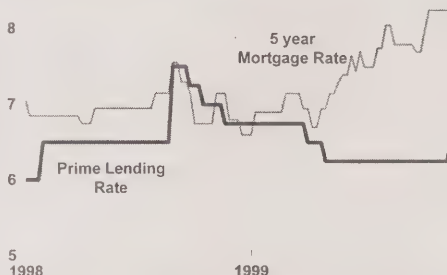
### *...and stock prices reach new heights*

- The Canadian stock market has slowly regained the ground it lost during last year's financial market crisis, when tumbling stock prices set the TSE 300 index back 20% in August 1998. Markets enjoyed a particularly strong rally towards the second half of 1999, boosted by a robust performance in the technology sector and a surge in the price of gold, energy and other commodities. The index gained over a thousand points between August and the end of November, reaching a new all-time high of 7889.
- Despite the strong showing over the year, Canadian stocks still failed to match U.S. gains. The Dow Jones was up 23% on the year as of December 8, compared to growth of 19% in the TSE.

#### Canadian Dollar



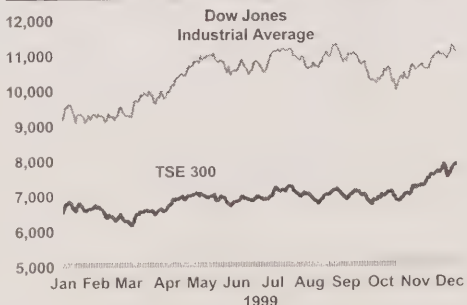
#### Bank and Prime Rates



#### Short-term and Long-term Interest Rates



#### North American Stock Markets





## COMING UP

### Key Future Data Releases and Planned Events



#### CANADA

Survey of Manufacturing – October .....	December 15
International Trade – October .....	December 16
Consumer Price Index – November .....	December 17
GDP at factor cost – October .....	December 24
Labour Force Survey – December .....	January 7
Business Conditions Survey – January .....	February 1
Private and Public Investment Intentions – 2000 .....	February 23
Financial Statistics For Enterprises – 4th Quarter 1999 .....	February 25
National Economic & Financial Accounts – 4th Quarter 1999 .....	February 28
Balance of International Payments – 4th Quarter 1999 .....	February 28
Capacity Utilization Rates – 4th Quarter 1999 .....	March 7

#### UNITED STATES

Consumer Price Index – November .....	December 14
International Trade – October .....	December 16
Federal Open Market Committee meeting .....	December 21
GDP – 3rd Quarter 1999, Final .....	December 22
Employment Situation – December .....	January 7

Note: the December MEI uses data available as of December 8, 1999

The Special Report scheduled for the January MEI is entitled  
"2000: The Year Ahead"





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# MONTHLY ECONOMIC INDICATORS

## January 2000

### HIGHLIGHTS

- 
**Canada's unemployment rate holds steady at an 18-year low of 6.9% in December.**
- 
**Growth slows in October, but output nonetheless advances for the 15th straight month.**
- 
**Export growth resumes in October, leading to an increase in Canada's trade surplus.**
- 
**The Canadian dollar and stock market both gain sharply toward the end of 1999, but fall back early in the new year.**

### Key Monthly Economic Indicators

		% Change since		
		last	last	
		month	year	
Real GDP (\$92 B)	756.2	0.1	4.2	Oct
Goods	252.6	-0.1	5.8	Oct
Services	503.7	0.3	3.4	Oct
Composite Index	219	0.5	5.3	Nov
Employment (000's)	14,918	0.3	2.4	Dec
Full-time	12,248	0.3	3.7	Dec
Part-time	2,670	0.0	-3.0	Dec
Unemployment* (%)	6.9	6.9	8.0	Dec
Youth*	13.2	13.2	14.4	Dec
Adult*	5.7	5.7	6.8	Dec
CPI inflation*	2.2	2.3	1.2	Nov
Retail Sales (\$M)	21,852	-1.4	6.5	Sept
Housing Starts (000's)	155.4	0.3	8.4	Dec
Trade Balance* (\$M)	2,670	2,497	1,705	Oct
Exports	30,698	1.2	7.9	Oct
Imports	28,028	0.7	4.8	Oct
M&E	9,509	5.1	7.1	Oct
3-mth Corp. paper* (%)	5.25	5.05	5.02	Jan 5
Long bond yield* (%)	6.49	6.10	5.23	Jan 5
Canadian dollar* (US¢)	68.67	69.29	65.22	Jan 7

\*Data in levels only – % change not reported.

**This issue's Special Report:  
2000 – The Year Ahead**

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).



Industry Industrie  
Canada Canada

Canada



# **MONTHLY ECONOMIC INDICATORS**

## **January 2000**

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This report uses data available as of January 12, 2000. It has been prepared by Marianne Blais, Joe Macaluso, Alison McDermott, André Patry and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. The special report in this issue on The Year Ahead was prepared by Joe Macaluso and Karen Smith. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).





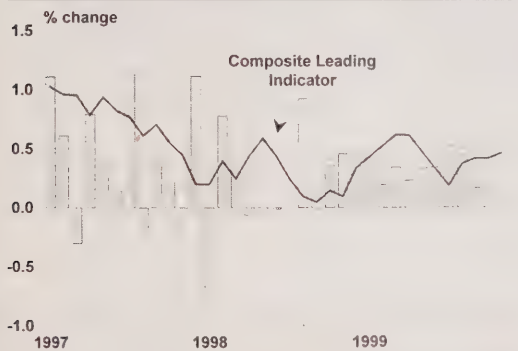
### Real GDP advances at a slower pace in October...

- Real GDP rose 0.1% in October, recording its 15th consecutive monthly increase.\* Though growth has slowed over the past two months, this represents the longest uninterrupted string of monthly gains in over a decade.

### ...with gains in Services partly offset by losses in Goods

- Goods production declined slightly in October (-0.1%). Losses were concentrated in Manufacturing, where output fell for the second straight month after growing very strongly in previous months. Output in the Logging & Forestry industry also fell, in line with slower construction activity in the United States. Output expanded in all other major groups, including a fourth straight increase in Mining production, supported by higher drilling and rigging activity in the oil patch.
- Production in the Services industries expanded 0.3% in October, led by a major gain in Wholesaling which was spurred by a recovery in computer and software sales. Business Services also registered another solid gain in October. Lower truck sales cut into Retail Trade, while output in the Finance & Insurance industries was held back by low stock market activity.

#### Real GDP at Factor Cost



#### Real GDP at Factor Cost (1992 dollars)

October 1999	\$ millions	monthly change	% Change since last	
			month	year
<b>Total Economy</b>	<b>756,167</b>	<b>1,116</b>	<b>0.1</b>	<b>4.2</b>
<b>Business sector</b>	<b>626,708</b>	<b>809</b>	<b>0.1</b>	<b>4.9</b>
<b>Goods</b>	<b>252,561</b>	<b>-379</b>	<b>-0.1</b>	<b>5.8</b>
Agriculture	13,668	59	0.4	6.4
Fishing & Trapping	749	31	4.3	4.6
Logging & Forestry	4,316	-105	-2.4	0.7
Mining*	26,803	51	0.2	2.1
Manufacturing	138,905	-539	-0.4	6.3
Construction	41,954	77	0.2	5.1
Other Utilities	26,166	47	0.2	9.0
<b>Services</b>	<b>503,606</b>	<b>1,495</b>	<b>0.3</b>	<b>3.4</b>
Transport & Storage	35,518	70	0.2	4.6
Communications	26,126	2	0.0	7.1
Wholesale Trade	46,783	1,104	2.4	7.6
Retail Trade	46,489	-521	-1.1	3.9
Finance & Insurance	41,308	-148	-0.4	1.8
Real Estate & Ins. Agent	79,759	-37	-0.0	2.6
Business services	44,458	337	0.8	8.3
Government services	45,920	170	0.4	2.4
Education	40,577	119	0.3	0.1
Health & Social Services	46,915	33	0.1	-1.1
Accommodation & Food	19,831	228	1.2	3.0
Other	29,922	138	0.5	2.5

#### Real GDP by major sector



\*Includes Quarrying and Crude Petroleum & Natural Gas





# THE ECONOMY

## Consumer Spending and Attitudes



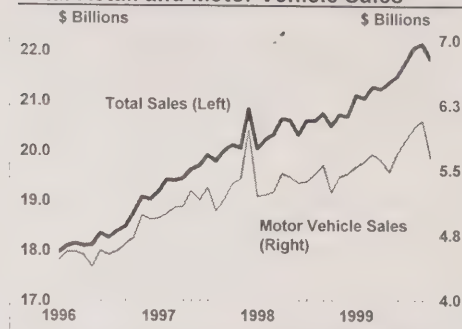
### Consumer spending remains strong in the third quarter...

- Real consumption rose 4.8% (annual rate) in the third quarter, keeping pace with growth recorded since the beginning of the year. Indeed, growth in consumer spending has exceeded 4% in each quarter so far this year.
- Personal disposable income rose 4.8% (annual rate) in the third quarter, its strongest advance so far this year. This gain, coupled with unchanged household debt levels, lowered the debt-to-income ratio by just over one percentage point. However, the personal saving rate was down, falling to 0.3% over the same period.

### ...but retail sales decline in October

- Retail Sales fell 1.4% in October, the first decline in six months. The drop in sales was due mainly to a 4.8% setback in the Automotive sector, which industry sources claim can be at least partly explained by supply not being able to keep pace with demand. Lower sales in the General Merchandise Stores and Food category also contributed to the decline.
- Sales were up in all other major categories, with especially sharp gains in Furniture and Clothing.

### Total Retail and Motor Vehicle Sales



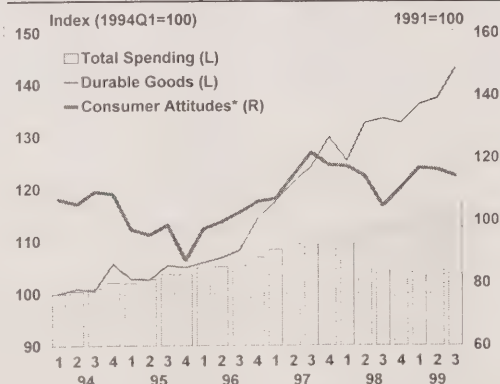
### Retail Sales and Consumer Credit

October 1999		% Change since	
		last month	last year
	\$ millions		
Total Retail Sales (S.A.)	21,852	-1.4	6.5
Food	4,909	-0.1	1.8
Drug Stores	1,126	0.2	3.8
Clothing	1,216	4.1	4.0
Furniture	1,195	5.0	12.5
Automotive	8,428	-4.8	8.6
General Merch. Stores	2,574	-0.6	9.6
All other Stores	2,404	1.4	6.1
Total ex. motor vehicles	16,202	0.8	6.1
Consumer Credit (unadjusted)	168,028	0.4	7.4

### Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)	1997		1999 Q2	1999 Q3
	1997	1998		
Real Consumption (92\$)	472,867	485,906	498,600	504,440
% change	4.2	2.8	4.3	4.8
Durable Goods	62,823	66,801	70,032	73,008
% change	13.3	6.3	3.5	18.1
Semi-Durable Goods	44,334	46,526	47,376	48,024
% change	4.3	4.9	2.4	5.6
Non-Durable Goods	118,293	119,521	121,476	121,572
% change	1.3	1.0	1.6	0.3
Services	247,417	253,058	259,716	261,836
% change	3.4	2.3	6.1	3.3
Disposable Income	534,728	552,778	564,848	571,456
% change	3.1	3.4	3.0	4.8
Saving Rate (%)	2.8	2.3	0.9	0.3
Debt-to-Income Ratio (%)	96.4	98.3	100.4	99.3

### Real Consumer Spending and Attitudes



\*Conference Board of Canada



# THE ECONOMY

## Business Investment in Plant and Equipment



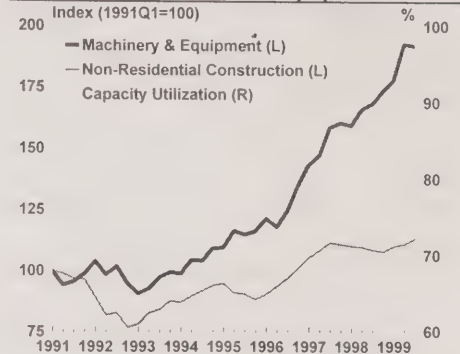
### Business investment slows in the third quarter...

- Growth in business investment slowed to 0.4% (annual rate) in the third quarter, down from 5.5% in the previous period. This slower advance was due in large part to a 1.8% decline in M&E spending, fuelled mainly by lower investment in aircraft and computer purchases.
- Higher investment in non-residential building and engineering structures in the third quarter led to an 8.5% increase in Non-Residential Construction.

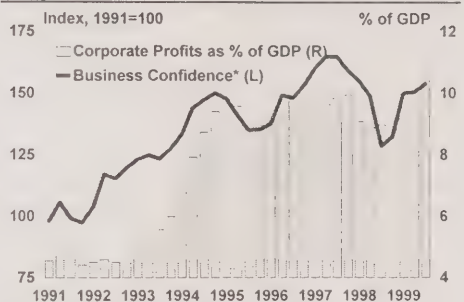
### ...but higher capacity utilization and profits could spur investment

- Capacity utilization in non-farm producing industries reached 86.0% in the third quarter, its highest rate since the 1987-88 economic expansion. Corporate operating profits rose 34.0% (annual rate) in the third quarter, propelled by a sharp increase in non-financial industries.
- Both factors should lead to a further increase in business investment. Indeed, imports of M&E rose 2.0% in October, and non-residential construction also advanced.

#### Investment in Plant and Equipment



#### Corporate Profits & Business Confidence



\*Conference Board of Canada

### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1997	1998	1998 Q4	1999 Q1	1999 Q2	1999 Q3
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	59,112	64,701	67,284	69,048	74,708	74,364
% change	22.2	9.5	12.7	10.9	37.0	-1.8
Non-residential Construction (1992\$)	39,079	39,110	38,696	39,448	39,756	40,572
% change	14.0	0.1	-2.4	8.0	3.2	8.5
Capacity Utilization (% , Non-farm goods)	83.8	83.2	83.0	83.7	84.2	86.0
Capacity Utilization (Mfg. sector)	83.7	83.8	84.5	84.9	85.5	87.6
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	146,023.0	132,032.0	138,172.0	144,096.0	147,952.0	159,180.0
% change	20.9	-9.6	64.8	18.3	11.1	34.0
Profits - Non-financial industries	90,839.0	82,442.0	90,592.0	99,012.0	102,880.0	115,684.0
% change	16.5	-9.2	75.9	42.7	16.6	59.9
Profits - Financial industries	55,186.0	49,590.0	47,580.0	45,084.0	45,072.0	43,496.0
% change	29.0	-10.1	45.9	-19.4	-0.1	-13.3
Business Credit	624,004.8	686,483.6	702,366.7	708,707.0	710,032.3	719,229.3
% change	9.2	10.0	3.3	3.7	0.8	5.3







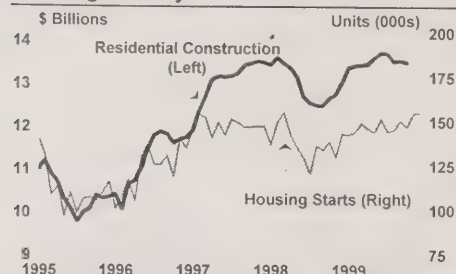
### Residential investment eases in the third quarter...

- After having recorded double-digit rates in each of the first two quarters of the year, growth in business investment in residential structures slowed to 2.5% in the third quarter.
- Spending on alterations and improvements recorded its first quarterly decline this year, while all other major components of residential investment advanced at a slower pace compared to recent quarters.

### ...but should register a gain in the fourth quarter

- Residential construction activity declined in October, the third drop in the last four months. Still, on a year-over-year basis, residential construction was 6.6% higher.
- Residential building permits continue to run well ahead of last year's pace. Construction intentions rose for the second straight month in November, reaching their highest monthly level since the early 1990s.
- Although sales of existing homes appear to have peaked at a very high level, housing starts were up nearly 4% overall in the fourth quarter.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	13,522	-0.4%	6.6%
Building Permits, \$M (2)	1,807	1.0%	12.1%
Sales of Existing Homes (2) (# of units)	18,824	-70	
Housing Starts, # of units (3)	155,400	400	12,000
Newfoundland	900	-200	200
Prince Edward Island	300	-100	200
Nova Scotia	2,500	-600	1,200
New Brunswick	1,600	-500	-100
Quebec	20,100	300	0
Ontario	68,600	1,600	14,100
Manitoba	1,600	100	500
Saskatchewan	1,800	200	300
Alberta	21,400	300	-6,600
British Columbia	15,900	-700	2,300

1 - October data; 2 - November data; 3 - December data.  
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

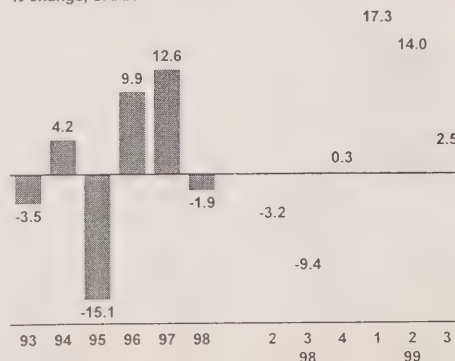
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1997	1998	1999 Q2	1999 Q3
Residential Construction	42,348	41,547	44,056	44,336
% change	12.6	-1.9	13.9	2.6
Construction by Business sector	42,223	41,422	43,928	44,200
% change	12.6	-1.9	14.0	2.5
New Housing	21,441	20,695	21,876	22,272
% change	19.5	-3.5	9.9	7.4
Alterations & Improvements	13,315	13,645	14,252	14,016
% change	7.2	2.5	4.3	-6.5
Ownership & Transfer Costs	7,592	7,207	7,928	8,048
% change	4.5	-5.1	49.3	6.2

### Growth in Real Residential Construction

% change, SAAR





# THE ECONOMY

## Trade and Competitiveness



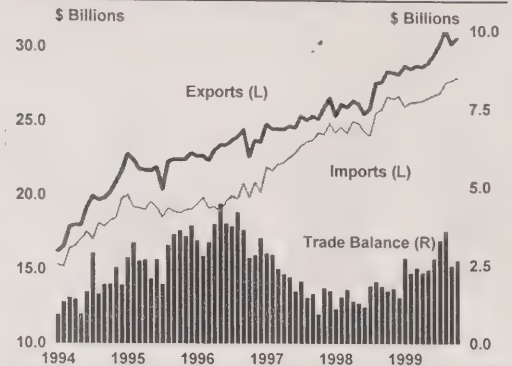
### A revival in exports...

- Exports rose 1.2% in October, partly offsetting a 3.2% decline in September. This recovery was due mainly to higher exports of Industrial Goods (prices for uranium and gold increasing), Automotive Products and M&E.
- Imports were up 0.7% in October, advancing for the ninth consecutive month. The increase was mainly attributable to higher imports of Agricultural Products and M&E, which were boosted by higher purchases of airplanes and portable systems computers.

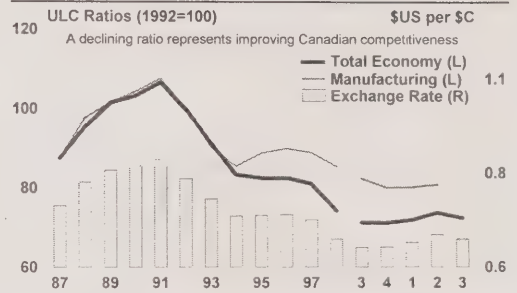
### ...leads to a higher trade surplus

- The trade surplus rose slightly to \$2.7 billion in October, rebounding from a sharp decline a month earlier, but still below August's three-year high of \$3.6 billion.
- On a year-to-date basis, the cumulative trade balance has reached \$26.9 billion since January, almost 75% higher than that recorded a year ago.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

### Merchandise Trade

October 1999	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	1999 Sept	1999 Oct	1998 Jan-Oct	1999 Jan-Oct	Sept to Oct 1999	Sept to Oct 1999	Sept to Oct 1999	Oct 98 to Oct 99
<b>Exports</b>	30,326	30,698	265,641	296,288	372	1.2	7.9	
to United States	26,063	26,474	221,160	254,758	411	1.6	10.3	
<b>Imports</b>	27,829	28,028	250,043	269,351	199	0.7	-4.8	
from United States	21,238	21,383	192,177	206,555	145	0.7	2.9	
<b>Trade Balance</b>	2,497	2,670	15,598	26,937	173			
with United States	4,825	5,091	28,983	48,203	266			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,176	2,152	20,901	21,253	-24	-1.1	-2.3	
Energy Products	2,753	2,683	20,324	23,559	-70	-2.5	30.5	
Forestry Products	3,285	3,284	29,088	32,130	-1	0.0	9.2	
Industrial Goods & Materials	4,740	4,927	48,117	47,145	187	3.9	4.5	
Machinery & Equipment	7,216	7,361	65,494	69,963	145	2.0	9.5	
Automotive Products	7,907	8,063	61,722	79,700	156	2.0	6.6	
Other Consumer Goods	1,111	1,142	10,247	11,338	31	2.8	5.0	
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,469	1,545	14,278	14,761	76	5.2	4.8	
Energy Products	1,065	797	7,381	7,950	-268	-25.2	14.2	
Forestry Products	239	228	2,057	2,263	-11	-4.6	6.5	
Industrial Goods & Materials	5,272	5,296	50,009	50,954	24	0.5	1.2	
Machinery & Equipment	9,045	9,509	83,593	89,587	464	5.1	7.1	
Automotive Products	6,567	6,481	54,332	63,088	-86	-1.3	3.3	
Other Consumer Goods	3,157	3,160	28,314	30,566	3	0.1	6.2	



# LABOUR MARKET TRENDS

## Employment and Unemployment



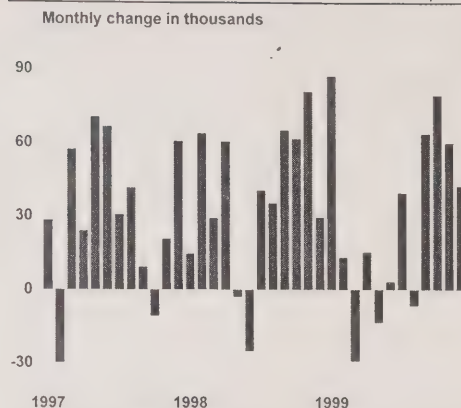
### *Employment closes out the year with a fourth straight solid gain...*

- Canada's overall level of employment rose by 42,000 in December, the smallest of four consecutive gains. Net job creation totalled 355,000 overall in 1999, with more than two-thirds of these gains coming in the last four months.
- Full-time employment accounted for all of December's job gains, bringing the total for 1999 to 438,000. The number of part-time jobs fell 83,000 on the year.
- While job growth has been somewhat weaker than in 1998 (2.4% versus 3.2%), the number of hours worked has increased at roughly the same pace (2.8%) in 1999 due to faster growth in full-time employment.

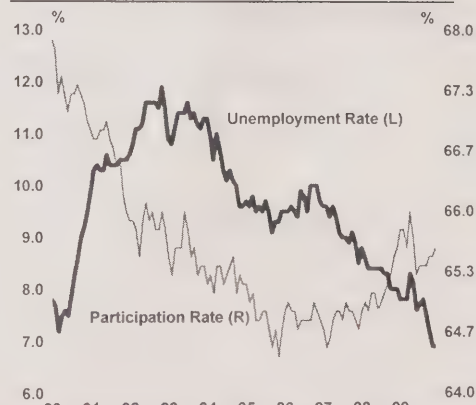
### *...but a rise in the labour force leaves the unemployment rate unchanged at 6.9%*

- December's employment gains were matched by an increase in the labour force (+42,000), leaving the national unemployment rate unchanged at 6.9%. This is down from 8.0% a year ago, and is the lowest unemployment rate since August 1981.
- Unemployment rates held steady in December for adults (5.7%) and youth (13.2%), but both are down on the year.

### Employment



### Unemployment Rate



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1998 December	1999 November	1999 December	last month	last year	year-to- date	last month	last year
Employment	14,563.4	14,876.0	14,918.3	42.3	354.9	354.9	0.3	2.4
Full-time	11,809.7	12,206.3	12,248.0	41.7	438.3	438.3	0.3	3.7
Part-time	2,753.7	2,669.7	2,670.3	0.6	-83.4	-83.4	0.0	-3.0
Youth 15-24	2,181.5	2,235.5	2,254.7	19.2	73.2	73.2	0.9	3.4
Adult 25+	12,381.9	12,640.5	12,663.6	23.1	281.7	281.7	0.2	2.3
Self-employed	2,589.6	2,552.1	2,583.6	31.5	-6.0	-6.0	1.2	-0.2
Unemployment	1,272.2	1,108.5	1,108.7	0.2	-163.5	-163.5	0.0	-12.9
Unemployment Rate	8.0	6.9	6.9	0.0	-1.1	-1.1		
Youth 15-24	14.4	13.2	13.2	0.0	-1.2	-1.2		
Adult 25+	6.8	5.7	5.7	0.0	-1.1	-1.1		
Labour Force	15,835.6	15,984.5	16,026.9	42.4	191.3	191.3	0.3	1.2
Participation Rate	65.6	65.5	65.6	0.1	0.0	0.0		
Employment Rate	60.4	60.9	61.0	0.1	0.6	0.6		





# LABOUR MARKET TRENDS

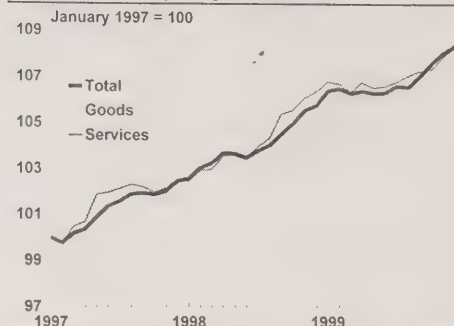
## Industry Overview



### Services account for most of the December job gains...

- The Service sector added 50,000 new jobs in December, with gains in most major categories. Overall in 1999, job growth has been strongest in Transportation and Management & Administrative Services.
- Employment in the Goods-producing industries fell by 8,000 in December, as modest gains in Manufacturing and Utilities were more than offset by losses in the other major industrial groups. The Manufacturing sector accounted for just over one of every two new jobs economy-wide in 1999, with employment up 8.5% compared to December 1998.

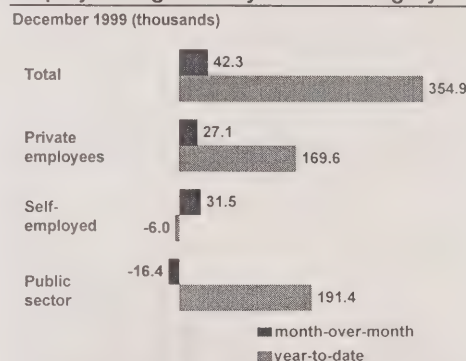
### Employment by major sector



### ...and employment in the private sector extends its recovery

- Paid employment in the private sector rose 27,000 in December, the sixth straight monthly rise. While registering a gain on the month, the number of self-employed remains down on a year-over-year basis.
- Employment in the public sector retreated slightly in December. However, job gains in this sector in 1999 actually outpaced gains in the private sector – for the first time since 1991.

### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1998 December	1999 November	1999 December	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,762.2	3,926.2	3,918.4	-7.8	156.2	156.2	-0.2	4.2
Agriculture	412.2	387.9	377.6	-10.3	-34.6	-34.6	-2.7	-8.4
Other Primary*	280.0	283.0	279.3	-3.7	-0.7	-0.7	-1.3	-0.3
Utilities	115.2	115.0	115.4	0.4	0.2	0.2	0.3	0.2
Construction	813.1	823.8	821.4	-2.4	8.3	8.3	-0.3	1.0
Manufacturing	2,141.7	2,316.4	2,324.7	8.3	183.0	183.0	0.4	8.5
<b>Service-producing</b>	10,801.2	10,949.8	10,999.8	50.0	198.6	198.6	0.5	1.8
Trade	2,241.1	2,286.8	2,301.5	14.7	60.4	60.4	0.6	2.7
Transportation	730.7	796.1	795.4	-0.7	64.7	64.7	-0.1	8.9
FIRE*	898.1	906.0	913.8	7.8	15.7	15.7	0.9	1.7
Professional/Scientific	936.6	920.4	950.4	30.0	13.8	13.8	3.3	1.5
Management/Administrative	487.1	522.0	526.3	4.3	39.2	39.2	0.8	8.0
Educational Services	939.3	993.3	982.5	-10.8	43.2	43.2	-1.1	4.6
Health Care/Social Assistance	1,490.7	1,503.3	1,498.1	-5.2	7.4	7.4	-0.3	0.5
Information/Culture/Recreation	643.3	669.9	656.7	-13.2	13.4	13.4	-2.0	2.1
Accommodation & Food	932.5	945.8	967.2	21.4	34.7	34.7	2.3	3.7
Other Services	731.9	691.4	687.9	-3.5	-44.0	-44.0	-0.5	-6.0
Public Administration	769.9	715.0	720.0	5.0	-49.9	-49.9	0.7	-6.5

\*Other Primary: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing



# LABOUR MARKET TRENDS

## Provincial Overview



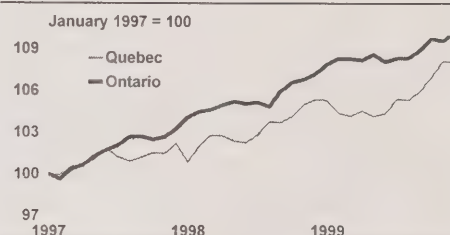
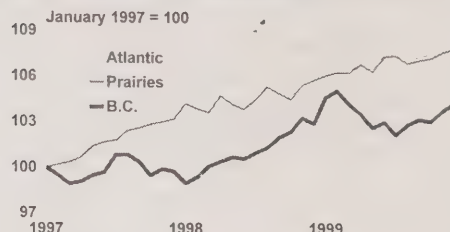
### Ontario, British Columbia and Alberta lead December job gains...

- Most of the total increase in employment for December was attributed to solid gains in Ontario, British Columbia and Alberta.
- Employment was down slightly in New Brunswick, Quebec, Manitoba and Nova Scotia.

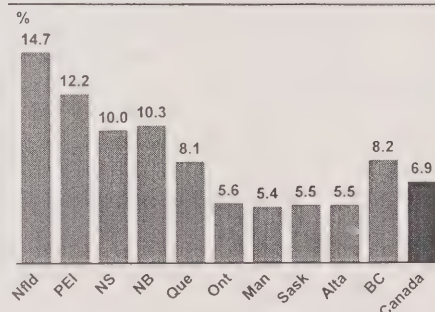
### ...but labour market conditions improve in every region in 1999

- Employment was up in every province in 1999, with particularly strong growth registered by Newfoundland, Prince Edward Island and Nova Scotia.
- With the exception of British Columbia, job growth outpaced growth in the labour force in all provinces, leading to lower unemployment rates across Canada.
- These declines were led by year-over-year declines of 4.0 percentage points in Newfoundland (to 14.7%) and 3.2 points in P.E.I. (to 12.2%).
- Other notable reductions in unemployment rates were in Quebec (-1.9 points to 8.1%), New Brunswick (-3.2 points to 10.3%) and Ontario (-1.3 points to 5.6%).
- In B.C., the unemployment rate was unchanged at 8.2% in December when compared to a year ago.

### Regional employment patterns



### Unemployment Rates -- December 1999



### Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since last month	Change since last year
	1999 December	(000's)	%	(000's)	%			
Canada	14,918.3	42.3	0.3	354.9	2.4	6.9	0.0	-1.1
Newfoundland	211.7	1.0	0.5	12.1	6.1	14.7	-1.4	-4.0
P.E.I.	64.8	1.5	2.4	4.8	8.0	12.2	-1.0	-3.2
Nova Scotia	415.4	-1.4	-0.3	13.7	3.4	10.0	0.4	-0.6
New Brunswick	337.3	-4.0	-1.2	1.6	0.5	10.3	0.7	-1.3
Quebec	3,483.9	-3.3	-0.1	86.0	2.5	8.1	-0.3	-1.8
Ontario	5,869.0	34.5	0.6	162.0	2.8	5.6	0.0	-1.3
Manitoba	559.5	-2.4	-0.4	6.1	1.1	5.4	0.1	-0.5
Saskatchewan	483.6	0.6	0.1	2.6	0.5	5.5	0.2	-0.8
Alberta	1,574.9	7.2	0.5	41.5	2.7	5.5	0.3	-0.2
B.C.	1,918.3	8.7	0.5	24.7	1.3	8.2	0.2	0.0





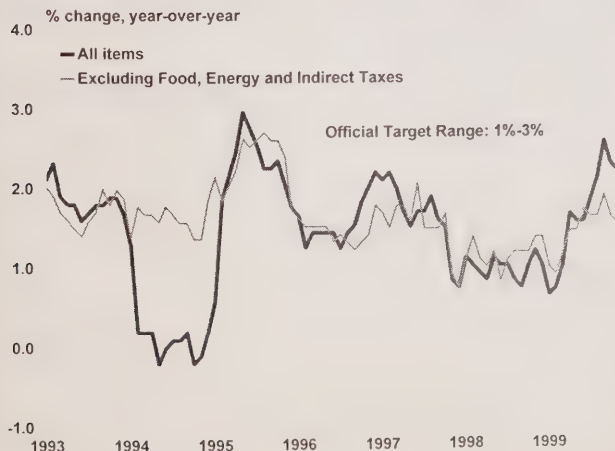
### Prices edge lower in November...

- The annual rate of CPI inflation fell to 2.2% in November. Energy prices are up 11.2% on a year-over-year basis, while transportation costs have increased by 5.2%. Higher prices for food purchased in restaurants, air transportation and tuition fees also contributed to the year-over-year increase in the CPI, while prices for computer equipment and fresh fruit and vegetables declined.
- On a month-over-month basis, consumer prices registered their first decline of the year in November. Energy prices continue to exert a major influence on the overall index, with a 0.9% decline in the Energy component of the index (led by a 1.7% drop in gasoline prices) contributing to the monthly 0.1% drop in the CPI.

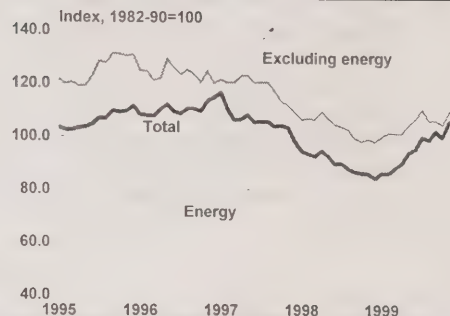
### ...leaving the rate well within the official target range

- When the volatile food and energy components and the impact of indirect taxes are excluded, the "core" rate of inflation fell to 1.5% in November, down slightly from the previous month. This remains within the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices advanced strongly in December. Energy prices are now up 70% on a year-over-year basis.

### Consumer Price Index



### Commodity Prices (\$U.S. basis)



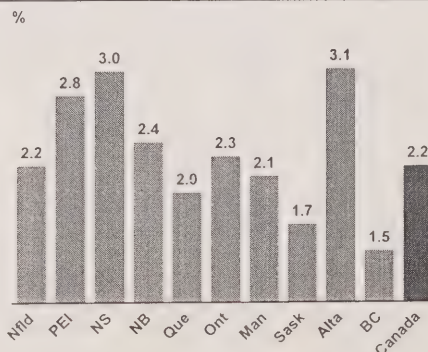
### Consumer Prices

November 1999	Index (1992=100)	% Change since	
		last month	last year
All items CPI	111.4	-0.1	2.2
Food	110.6	0.6	0.8
Shelter	105.9	0.1	1.6
Household operations	109.5	-0.1	1.5
Clothing & Footwear	105.4	-1.8	0.9
Transportation	127.3	0.2	5.1
Health & Personal Care	110.5	-0.1	1.5
Recreation, Educ. & Reading	120.3	-1.4	2.6
Alcohol & Tobacco	95.1	0.5	1.7
Excl. Food/Energy/Indirect Taxes	112.4	-0.2	1.5
Energy	115.8	-0.9	11.2

### Commodity Prices (December)

Index, 1982-90=100	106.5	0.9	26.3
Excluding Energy	110.4	0.9	12.5
Energy	99.3	0.6	70.0

### Provincial CPI Inflation -- November 1999









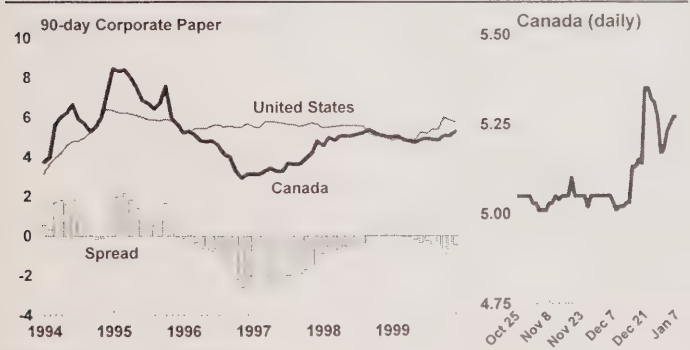
### Bond markets tumble as interest rate fears usher in the Year 2000...

- Bond markets got off to a rough start in the New Year, as concerns of an impending interest rate increase by the U.S. Federal Reserve drove yields higher on both sides of the border. The upward pressure actually surfaced in December, when U.S. monetary authorities made it clear that their decision not to raise rates was based on a desire to promote liquidity in the face of possible Y2K-related disruptions. As the turnover passed with few disruptions, some analysts expect that the FOMC could raise interest rates by as much as 75 basis points over the first six months of 2000, starting at its next meeting on February 1-2. The strong performance of the Canadian economy may also cause the Bank of Canada to follow suit.

### ...leaving both short and long rates up on the year

- Short term bonds yields rose as high as 5.35% before closing out December at 5.27%, up 25 basis points on the year. Canadian short rates entered 1999 above their American counterparts, but rose much less quickly over the year, leading to a spread of roughly 50 basis points in Canada's favour at the end of the year.
- Long term rates rose a full 100 basis points in Canada in 1999. Again, Canadian rates rose less sharply than comparable U.S. yields, but the differences were less pronounced in the long-term market, where the yield differential has remained narrow (-0.22) but still in Canada's favour.

#### Short-term Interest Rates

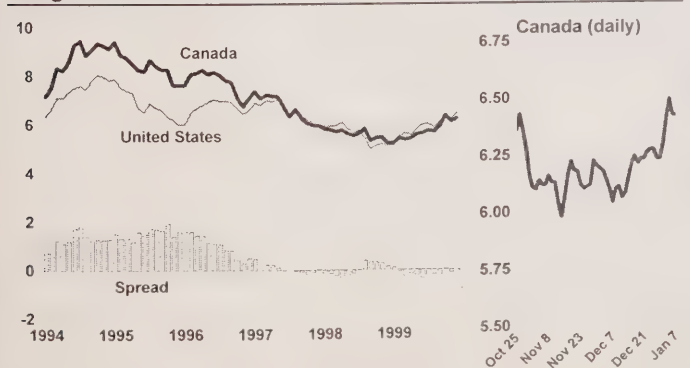


#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
July 1999	4.91	-0.26	5.74	-0.27
Aug	4.87	-0.50	5.68	-0.19
Sept	4.83	-0.53	5.91	-0.22
Oct	5.05	-0.93	6.36	0.03
Nov	5.05	-0.80	6.10	-0.12
Dec	5.27	-0.49	6.23	-0.22
Jan 5	5.25	-0.57	6.49	-0.15

A positive spread indicates that Canadian rates are above their U.S. counterparts.

#### Long-term Bond Yields



#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
July 1999	4.75	6.25	7.05	7.75
Aug	4.75	6.25	7.05	7.80
Sept	4.75	6.25	6.80	7.70
Oct	4.75	6.25	7.35	8.25
Nov	5.00	6.50	7.35	8.25
Dec	5.00	6.50	7.35	8.25
Jan 5	5.00	6.50	7.35	8.25



# PRICES and FINANCIAL MARKETS

## Exchange Rates and Stock Prices



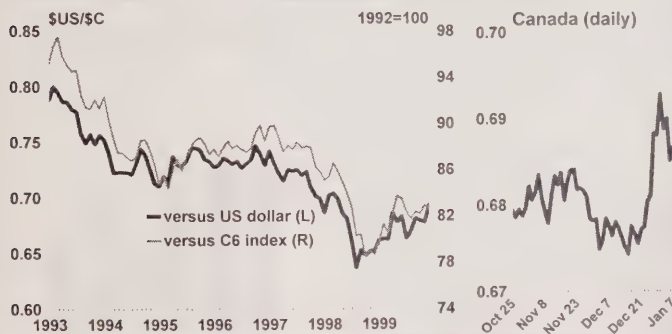
### Stock markets suffer a millennial hangover ...

- Stock markets ended 1999 on a high note, pushing the TSE 300 up 30% on the year. However, stock prices came crashing down in the New Year as fears of interest rate increases sent stocks plummeting in the wake of a smooth Y2K transition. Technology stocks suffered the greatest losses, with the technology-heavy U.S. Nasdaq index experiencing its biggest single-day point drop in its history. Stocks rebounded quickly, however, as a surge in prices for blue-chip and value stocks help indexes recover most of their losses by the end of the week. The TSE 300 ended the week of January 7 at 8429, just below its record high of 8473 reached on December 29, 1999.

### ...and the Canadian dollar retreats from year-end highs

- The Canadian dollar finished off the year strongly, as a last-minute rally pushed its value up to \$U.S. 0.6929, its highest level in 19 months. Financial market instability and sharply lower commodity prices weakened the dollar early in the new year, however, bringing it down to \$U.S. 0.6867 by January 7, 2000.
- The dollar's slide is not likely to be prolonged, as strong economic fundamentals and firmer world resource prices (including oil and base metals) are expected to provide support for the Canadian currency into the year 2000.

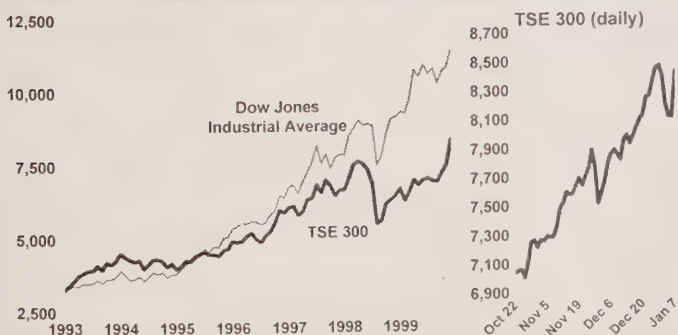
#### Canadian dollar



#### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
July 1999	0.6639	82.39	1.267	80.13
Aug	0.6700	81.79	1.236	75.80
Sept	0.6815	82.43	1.261	72.34
Oct	0.6797	82.22	1.237	71.71
Nov	0.6782	82.96	1.291	71.29
Dec	0.6929	82.67	1.313	69.66
Jan 7	0.6867			

#### Stock Market Indices



#### Key Stock Market Indexes

	December Close	% change from last month	% change from last year
TSE 300	8,414	11.8	29.7
Oil & Gas	5,862	2.4	26.2
Metals & Minerals	4,475	17.6	45.8
Utilities	12,564	26.0	69.6
Paper & Forest	5,237	10.3	47.0
Merchandising	5,115	5.0	-9.6
Financial Services	7,410	1.0	-12.1
Gold	4,875	-6.1	-17.7
Price-Earnings Ratio*	40.0	3.3	11.5
S&P 500	1,469	5.8	19.5
Dow Jones	11,497	5.7	25.2

\*columns 2 & 3 reflect change in levels





## U.S. Economic Trends

### *The U.S. economy grows at a fast pace in the third quarter...*

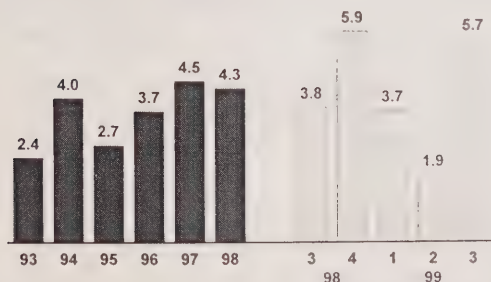
- Final estimates indicate that U.S. real GDP surged 5.7% (annual rate) in the third quarter of 1999, following a modest gain in the second quarter. Higher consumer spending, exports and business investment offset strong import growth and lower residential investment in the quarter.
- Employment posted its biggest advance in five months in December, adding 315,000 new jobs. The unemployment rate remained at 4.1% for a third consecutive month, a near 30-year low.
- The U.S. trade deficit soared to a record \$25.9 billion in October. Rising imports (+1.6%), led by computer related goods and crude oil, fuelled the higher deficit, as exports were essentially unchanged (-0.1%). On a year-to-date basis, the trade deficit is up 61% compared to the first ten months of 1998.

### *... but the Fed holds off on a rate increase*

- Uncertainty over the impact of Y2K on financial markets and indications that inflation remains under control prompted the Federal Reserve to hold its key federal funds rate at 5.5% on December 21st. Although consumer prices and hourly earnings have been edging higher in recent months, strong productivity gains have helped keep inflation in check.
- The Fed continues to adopt a neutral bias, but tight labour market conditions coupled with strong economic growth suggest that U.S. monetary policy could tighten in the near future.

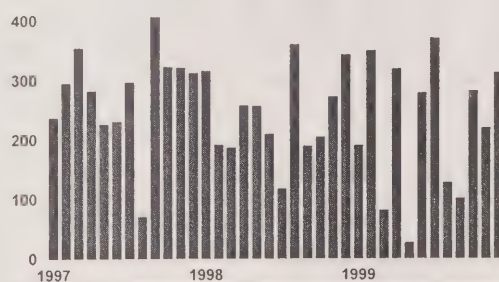
#### U.S. Real GDP Growth

% change, SAAR



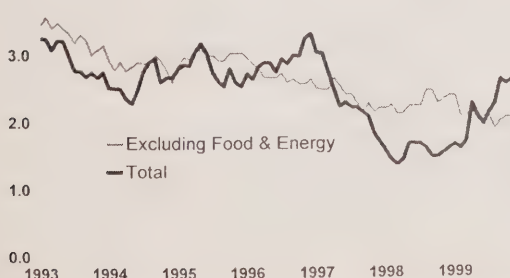
#### U.S. Non-farm Payrolls

Monthly change in thousands



#### U.S. Consumer Price Inflation

% change, year-over-year



#### U.S. Unemployment & Participation Rates





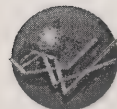






# SPECIAL REPORT: 2000 – The Year Ahead

## Households and Consumer Spending



### *Labour markets will cool following a strong performance in 1998 and 1999...*

- Net job creation totalled 384,000 in 1999 (+2.7% on an annual basis), building on a gain of 453,000 new jobs 1998 -- the best performance of the decade.
- Private-sector forecasters expect that employment growth, though still strong, will slow to 2.2% in both 2000 and 2001.
- Employment gains are expected to be largely matched by increases in the labour force, resulting in only a modest improvement in the national unemployment rate over the next two years.
- Still, private-sector forecasters project that the recent strong employment gains and the potential for further tax relief will translate into higher real after-tax incomes. Indeed, the consensus forecast calls for 3.4% growth in real personal disposable incomes in 2000, which (if realized) would be the biggest gain since 1989.

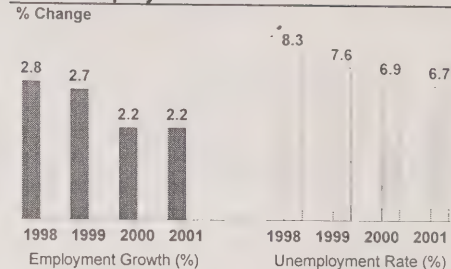
### *...but past employment gains should provide a boost to consumer spending...*

- Higher incomes should allow consumer spending to rise 3.0%, about the same rate as in 1999. A potential risk is that higher interest rates could cool off consumer demand, particularly for big-ticket durable goods.
- After rebounding strongly in 1999, the housing market should post another solid gain this year. Rising incomes and higher consumer confidence are expected to offset the impact of anticipated higher interest rates.

### *...as consumer price inflation remains within the official target range*

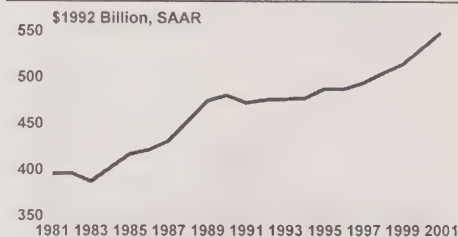
- Higher energy prices have put upward pressure on inflation in recent months. Strong growth has also put upward pressure on prices, although an expected appreciation of the dollar should offset some of these pressures. On the whole, forecasters expect that inflation will remain within the Bank of Canada's official 1-3% target range over the next two years.

### Employment Growth & the Unemployment Rate



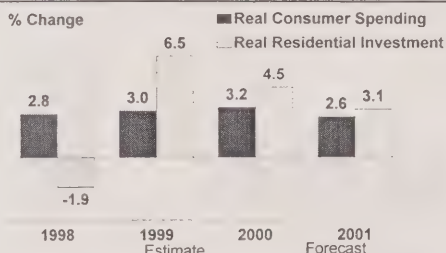
\*Consensus projections from available private-sector forecasts.

### Real Personal Disposable Income\*



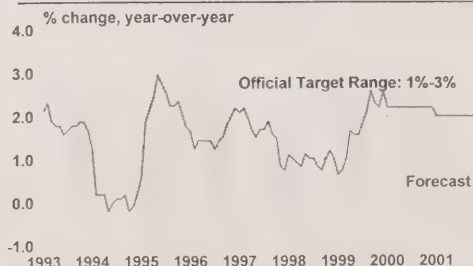
\*Consensus projections from available private-sector forecasts.

### Growth in Real Consumer Spending and Residential Investment



\*Consensus projections from available private-sector forecasts.

### Consumer Price Inflation



\*Consensus projections from available private-sector forecasts.



# SPECIAL REPORT: 2000 – The Year Ahead

## Corporate Sector and Investment



### *Corporate profits will continue to rise over the next two years...*

- The robust growth in profits expected this year and next can to a large extent be attributed to continued strong demand in both the domestic and U.S. market.
- The recent rebound in commodity prices should also aid the financial picture of companies in the resource-based industries.

### *...but growth in investment will slow from its fast pace in 1999...*

- An improved profit outlook and generally healthy economic conditions should promote investment growth again this year. Indeed, capacity utilization is at a very high rate, which normally triggers increased investment.
- Business spending on M&E is expected to grow a solid 7.2% this year, but this is nonetheless half the rate recorded in 1999. Purchases of computers and related equipment should ease up, as companies phase out Y2K-related spending.

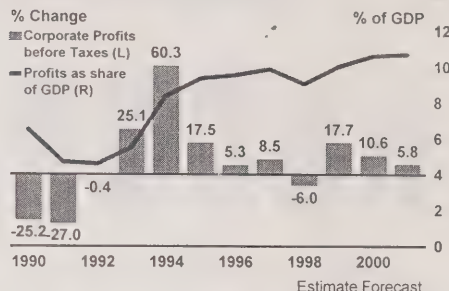
### *...though non-residential construction will be boosted by increased activity in the oil patch*

- Investment in non-residential construction should pick up this year, boosted in particular by increased activity in the oil patch.
- Recent data on non-residential building permits also point to continued strength in spending plans in the institutional and governmental building sectors.

### *Interest rates are likely to rise over the short term*

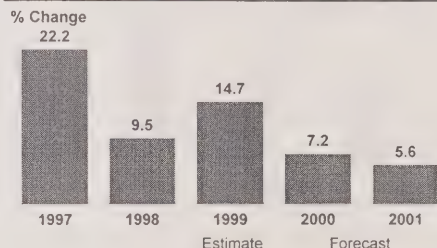
- According to most analysts, interest rates in both Canada and the U.S. will rise early in the new year, as continued strong growth prompts authorities on both sides of the border to tighten monetary conditions in an effort to head-off inflation.

#### Growth in Corporate Profits



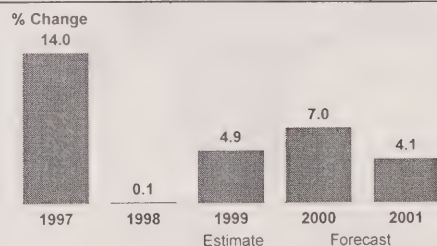
\*Consensus projections from available private-sector forecasts.

#### Investment in Machinery & Equipment



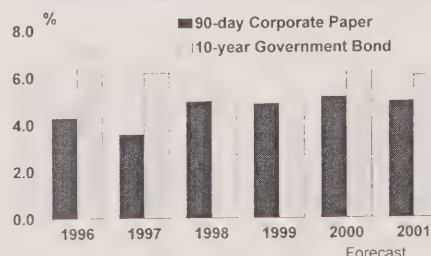
\*Consensus projections from available private-sector forecasts.

#### Investment in Non-residential Construction



\*Consensus projections from available private-sector forecasts.

#### Short-term and Long-term Interest Rates



\*Consensus projections from available private-sector forecasts.









### *The U.S. economy should continue to grow, but at a slower pace...*

- Growth in the U.S. economy is expected to slow to 3.6% in 2000, down from about 4.0% in 1999. The main factor behind the anticipated softening in demand is the potential for higher interest rates as the U.S. Federal Reserve strives to head off inflation.

### *...causing Canadian export growth to fall slightly below that for imports*

- Canadian exports are expected to grow more slowly this year, in line with the expected slowdown in the U.S. economy (which accounts for just over 85% of all Canadian exports).
- Exports to the Asia-Pacific region are expected to pick up as these economies rebound from financial crises. The B.C. economy is particularly well-placed to benefit from this turnaround.
- Though import growth should also slow slightly in 2000, it is nonetheless expected to outpace that for exports.

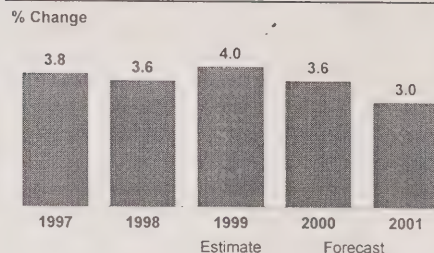
### *The current account is expected to be in surplus over the next two years...*

- Canada's current account swung into a surplus in the third quarter of 1999 for the first time since the end of 1996.
- Private-sector forecasters generally expect that the current account will remain in surplus this year and next. From an estimated deficit of \$1.8 billion last year, Canada is expected to post an external surplus of \$2.2 billion in 2000 and \$3.1 billion in 2001.

### *...as the Canadian dollar firms*

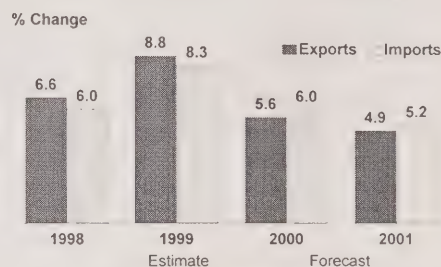
- Firming global commodity prices and greatly-improved economic fundamentals at home are expected to provide underlying support for the Canadian dollar this year and next.
- After averaging US 67½ ¢ in 1999, private sector forecasters expect that the dollar will average roughly US 70¢ this year and nearly 71½ ¢ in 2001.

#### U.S. Real GDP Growth



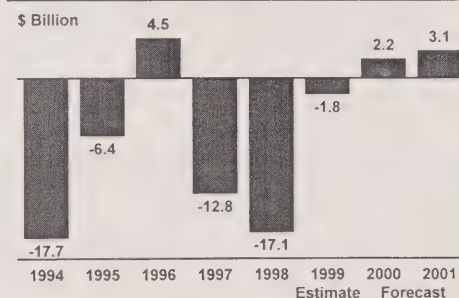
\*Consensus projections from available private-sector forecasts.

#### Growth in Real Exports and Imports



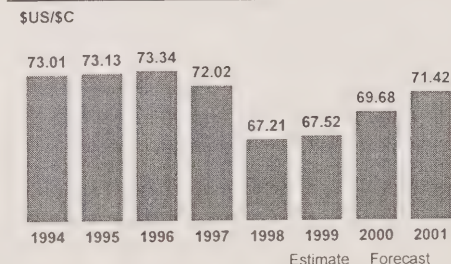
\*Consensus projections from available private-sector forecasts.

#### Current Account Balance



\*Consensus projections from available private-sector forecasts.

#### Canadian Dollar



\*Consensus projections from available private-sector forecasts.



## COMING UP

### Key Future Data Releases and Planned Events



#### CANADA

Survey of Manufacturing – November .....	January 19
International Trade – November .....	January 20
Consumer Price Index – December .....	January 21
GDP at factor cost – November .....	January 31
Business Conditions Survey – January .....	February 1
Labour Force Survey – January .....	February 4
Private and Public Investment Intentions – 2000 .....	February 23
Financial Statistics For Enterprises – 4th Quarter 1999 .....	February 25
National Economic & Financial Accounts – 4th Quarter 1999 .....	February 28
Balance of International Payments – 4th Quarter 1999 .....	February 28
Capacity Utilization Rates – 4th Quarter 1999 .....	March 7

#### UNITED STATES

Consumer Price Index – December .....	January 14
International Trade – November .....	January 20
GDP –4th Quarter 1999, Advance estimate .....	January 28
Federal Open Market Committee meeting .....	February 1,2
Employment Situation – January .....	February 4

Note: the January MEI uses data available as of January 12, 2000



# MONTHLY ECONOMIC INDICATORS

## February 2000

### HIGHLIGHTS

-  **Canada's unemployment rate is 6.8% in January, the lowest on record since 1976.**
-  **Output growth picks up in November, boosted by a solid rebound in Manufacturing.**
-  **Exports increase while imports fall, resulting in a higher trade surplus for November.**
-  **The Bank of Canada raises its key interest rate as the outlook for the Canadian economy brightens.**
-  **Canadian stock prices surge early in February, but the upward momentum in the dollar comes to a halt.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	760.9	0.6	4.3	Nov.
Goods	254.6	0.8	5.8	Nov.
Services	506.3	0.5	3.6	Nov.
Composite Index	219.6	0.5	5.2	Dec.
Employment (000's)	14,792	0.3	2.8	Jan.
Full-time	12,118	0.2	3.8	Jan.
Part-time	2,674	0.8	-1.4	Jan.
Unemployment* (%)	6.8	6.8	7.9	Jan.
Youth*	12.5	13.1	14.1	Jan.
Adult*	5.7	5.6	6.7	Jan.
CPI inflation*	2.2	2.3	1.2	Dec.
Retail Sales (\$M)	22,008	0.6	6.1	Nov.
Housing Starts (000's)	147.7	-7.3	3.4	Jan.
Trade Balance* (\$M)	3,127	2,621	1,770	Nov.
Exports	31,351	1.4	10.5	Nov.
Imports	28,224	-0.2	6.1	Nov.
M&E	9,244	-2.8	6.3	Nov.
3-mth Corp. paper* (%)	5.37	5.27	5.01	Feb. 2
Long bond yield* (%)	6.19	6.23	5.23	Feb. 2
Canadian dollar* (US¢)	69.40	69.18	66.18	Feb. 4

\*Data in levels only – % change not reported.

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).







# **MONTHLY ECONOMIC INDICATORS**

## **February 2000**

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This report uses data available as of February 4, 2000. It has been prepared by Marianne Blais, Julie Dubois, Joe Macaluso, Alison McDermott and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).



# THE ECONOMY

## Real GDP by Industry



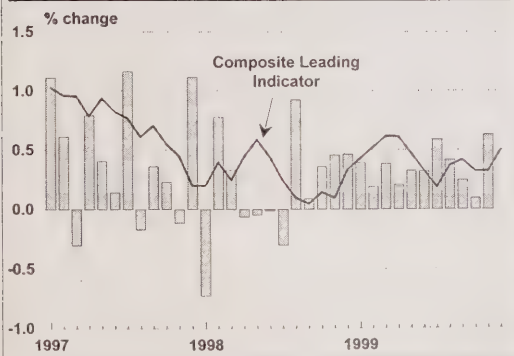
### Growth in Real GDP picks up in November...

- Real GDP advanced by 0.6% in November, marking the 16th consecutive monthly increase and the longest uninterrupted string of gains in over a decade. November's strong showing – the biggest increase in 15 months – reverses three months of slowing momentum.

### ...boosted by a surge in Manufacturing and widespread gains in Services

- Goods production increased sharply in November (+0.8%). Output expanded in all major groups with the exception of Utilities, where unseasonably warm temperatures reduced demand for electrical power and gas. Gains were concentrated in Manufacturing, which rebounded strongly from a decline in the previous month. Within Manufacturing, 19 of 22 major groups advanced, led by a sharp gain in Electrical & Electronic Products. Elsewhere, a large increase in oil production boosted output in the Mining industry, and Construction activity continued its steady advance.
- Production in the Services industries increased by 0.5% in November, led by a major gain in Wholesale Trade, which expanded despite flat computer sales. Higher auto sales helped Retail Trade stage a partial comeback from a sharp decline in October. Most other industries also advanced in November, with solid gains in Business Services and Transportation & Storage.

#### Real GDP at Factor Cost



#### Real GDP by major sector



#### Real GDP at Factor Cost (1992 dollars)

November 1999	\$ millions	monthly change	% Change since last	
			month	year
<b>Total Economy</b>	<b>760,927</b>	<b>4,751</b>	<b>0.6</b>	<b>4.3</b>
<b>Business sector</b>	<b>631,322</b>	<b>4,628</b>	<b>0.7</b>	<b>5.2</b>
<b>Goods</b>	<b>254,642</b>	<b>2,108</b>	<b>0.8</b>	<b>5.8</b>
Agriculture	13,624	10	0.1	5.3
Fishing & Trapping	796	47	6.3	19.5
Logging & Forestry	4,477	44	1.0	3.3
Mining*	27,422	420	1.6	3.5
Manufacturing	140,781	2,026	1.5	6.5
Construction	42,241	215	0.5	5.8
Other Utilities	25,301	-654	-2.5	4.9
<b>Services</b>	<b>506,285</b>	<b>2,643</b>	<b>0.5</b>	<b>3.6</b>
Transport & Storage	36,008	330	0.9	5.6
Communications	26,392	178	0.7	6.7
Wholesale Trade	47,406	802	1.7	10.1
Retail Trade	46,853	329	0.7	3.8
Finance & Insurance	41,632	188	0.5	2.2
Real Estate & Ins. Agent	79,924	141	0.2	2.6
Business services	44,888	376	0.8	8.3
Government services	46,079	140	0.3	2.6
Education	40,542	-22	-0.1	0.0
Health & Social Services	46,922	-4	-0.0	-1.0
Accommodation & Food	19,633	66	0.3	1.7
Other	30,006	119	0.4	2.5

\*Includes Quarrying and Crude Petroleum & Natural Gas



# THE ECONOMY

## Consumer Spending and Attitudes



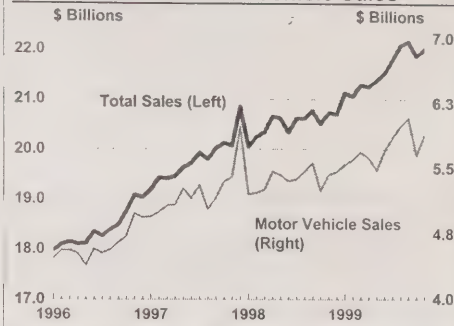
### Consumer spending remains strong in the third quarter...

- Real consumption rose 4.8% (annual rate) in the third quarter, keeping pace with growth recorded since the beginning of the year. Indeed, growth in consumer spending has exceeded 4% in each quarter so far this year.
- Personal disposable income rose 4.8% (annual rate) in the third quarter, its strongest advance so far this year. This gain, coupled with unchanged household debt levels, lowered the debt-to-income ratio by just over one percentage point. However, the personal saving rate was down, falling to 0.3% over the same period.
- The solid growth in consumer spending will likely be sustained in coming quarters, given the recent strength of the labour market and a corresponding rise in consumer confidence.

### ...and retail sales rebound in November

- Retail sales advanced by 0.6% in November, partly reversing the previous month's 1.3% decline. This gain was led by a strong advance in the Automotive sector, following a drop of 4.5% in the previous month that was related to supply problems. Excluding Automotive products, total retail sales fell 0.5% in November.

### Total Retail and Motor Vehicle Sales



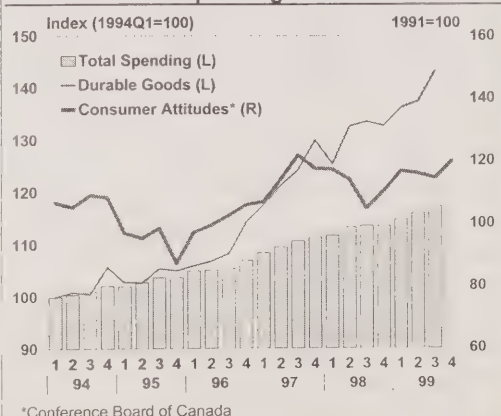
### Retail Sales and Consumer Credit

	November 1999	% Change since	
		last month	last year
		\$ millions	
Total Retail Sales (S.A.)	22,008	0.6	6.1
Food	4,959	0.5	2.3
Drug Stores	1,141	1.4	5.7
Clothing	1,201	-1.1	1.6
Furniture	1,168	-2.6	7.6
Automotive	8,702	3.1	9.8
General Merch. Stores	2,435	-4.9	4.0
All other Stores	2,401	0.2	5.3
Total ex. motor vehicles	16,130	-0.5	5.4
Consumer Credit (unadjusted)	169,434	0.8	8.0

### Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)	1997		1998	
	1997	1998	1999 Q2	1999 Q3
Real Consumption (92\$)	472,867	485,906	498,600	504,440
% change	4.2	2.8	4.3	4.8
Durable Goods	62,823	66,801	70,032	73,008
% change	13.3	6.3	3.5	18.1
Semi-Durable Goods	44,334	46,526	47,376	48,024
% change	4.3	4.9	2.4	5.6
Non-Durable Goods	118,293	119,521	121,476	121,572
% change	1.3	1.0	1.6	0.3
Services	247,417	253,058	259,716	261,836
% change	3.4	2.3	6.1	3.3
Disposable Income	534,728	552,778	564,848	571,456
% change	3.1	3.4	3.0	4.8
Saving Rate (%)	2.8	2.3	0.9	0.3
Debt-to-Income Ratio (%)	96.4	98.3	100.4	99.3

### Real Consumer Spending and Attitudes



\*Conference Board of Canada





# THE ECONOMY

## Business Investment in Plant and Equipment

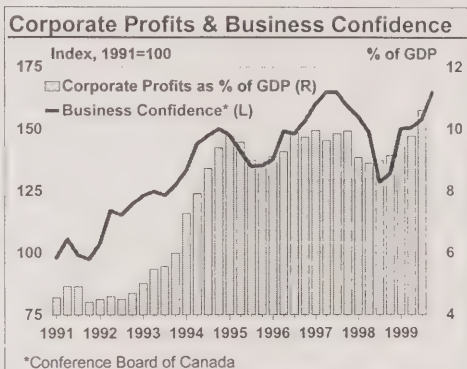
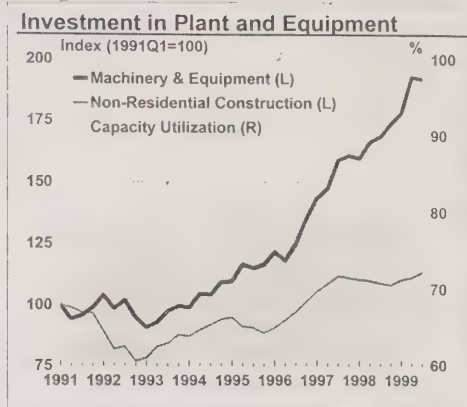


### Business investment slows in the third quarter...

- Growth in business investment slowed to 0.4% (annual rate) in the third quarter, down from 5.5% in the previous period. This slower advance was due in large part to a 1.8% decline in M&E spending, fuelled mainly by lower investment in aircraft and computers.
- Higher investment in non-residential building and engineering structures led to an 8.5% increase in Non-Residential Construction in the third quarter.

### ...but shows signs of picking up again in the fourth quarter

- Capacity utilization in non-farm producing industries reached 86.0% in the third quarter, the highest rate since the 1987-88 economic expansion. Corporate operating profits rose 34.0% (annual rate) in the third quarter, propelled by a sharp increase in non-financial industries. The Conference Board's Index of Business Confidence also rose sharply in the fourth quarter.
- Reflecting these factors, recent data point to renewed strength in investment. Although imports of M&E fell in November, this follows a much larger rise in the previous month. Non-residential construction activity was up 1.4% on average in October and November compared to the third quarter.



## Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1997	1998	1998 Q4	1999 Q1	1999 Q2	1999 Q3
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	59,112	64,701	67,284	69,048	74,708	74,364
% change	22.2	9.5	12.7	10.9	37.0	-1.8
Non-residential Construction (1992\$)	39,079	39,110	38,696	39,448	39,756	40,572
% change	14.0	0.1	-2.4	8.0	3.2	8.5
Capacity Utilization (% , Non-farm goods)	83.8	83.2	83.0	83.7	84.2	86.0
Capacity Utilization (Mfg. sector)	83.7	83.8	84.5	84.9	85.5	87.6
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	146,023.0	132,032.0	138,172.0	144,096.0	147,952.0	159,180.0
% change	20.9	-9.6	64.8	18.3	11.1	34.0
Profits - Non-financial industries	90,839.0	82,442.0	90,592.0	99,012.0	102,880.0	115,684.0
% change	16.5	-9.2	75.9	42.7	16.6	59.9
Profits - Financial industries	55,186.0	49,590.0	47,580.0	45,084.0	45,072.0	43,496.0
% change	29.0	-10.1	45.9	-19.4	-0.1	-13.3
Business Credit	624,688.7	686,621.0	702,493.7	708,232.3	709,495.3	720,157.3
% change	9.1	9.9	3.3	3.3	0.7	6.1





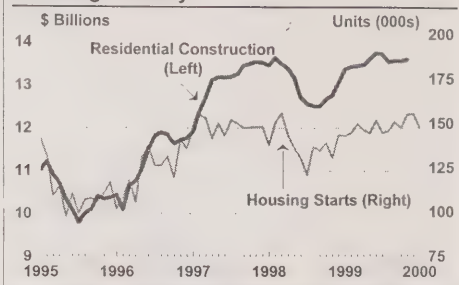
### Residential investment growth eases in the third quarter...

- After having recorded double-digit growth rates in each of the first two quarters of the year, growth in business investment in residential structures slowed to 2.5% in the third quarter.
- Spending on alterations and improvements recorded its first quarterly decline this year, while all other major components of residential investment advanced at a slower pace compared to recent quarters.

### ...but should register a gain in the fourth quarter

- Residential construction activity increased in November, after declining slightly in October. On a year-over-year basis, residential construction is up 6.5%, but the October-November average remains 0.2% below the third-quarter level.
- Housing starts rose a solid 3.9% overall in the fourth quarter, before falling back in January. Residential building permits continue to run well ahead of last year's pace, rising 10.6% in the fourth quarter. This fourth straight quarterly increase in housing intentions pushed the total for 1999 to its best showing of the decade.
- Sales of existing homes, though down in December, rose 7% overall in 1999 to reach a new record high.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	13,612	0.3%	6.5%
Building Permits, \$M (2)	1,894	4.6%	20.7%
Sales of Existing Homes (2) (# of units)	18,271	-941	
Housing Starts, # of units (3)	147,700	-11,600	4,900
Newfoundland	900	0	200
Prince Edward Island	500	200	-700
Nova Scotia	4,600	2,100	1,800
New Brunswick	4,500	2,900	3,000
Quebec	18,900	-1,200	-2,000
Ontario	62,300	-6,300	6,800
Manitoba	1,400	-200	-2,000
Saskatchewan	2,500	700	800
Alberta	20,800	-600	500
British Columbia	9,200	-6,800	-3,900

1 - November data; 2 - December data; 3 - January data.  
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

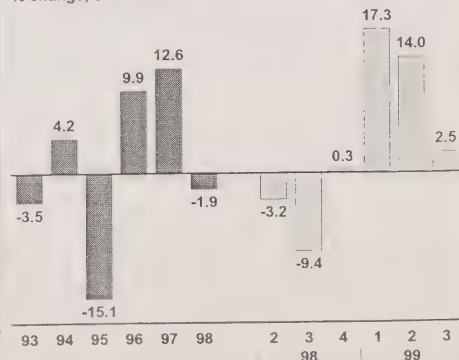
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1997	1998	1999 Q2	1999 Q3
Residential Construction	42,348	41,547	44,056	44,336
% change	12.6	-1.9	13.9	2.6
Construction by Business sector	42,223	41,422	43,928	44,200
% change	12.6	-1.9	14.0	2.5
New Housing	21,441	20,695	21,876	22,272
% change	19.5	-3.5	9.9	7.4
Alterations & Improvements	13,315	13,645	14,252	14,016
% change	7.2	2.5	4.3	-6.5
Ownership & Transfer Costs	7,592	7,207	7,928	8,048
% change	4.5	-5.1	49.3	6.2

### Growth in Real Residential Construction

% change, SAAR





# THE ECONOMY

## Trade and Competitiveness



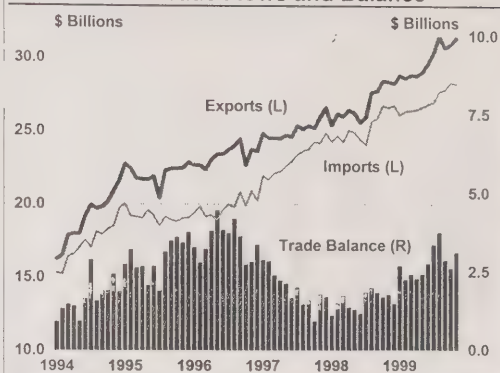
### November's strong export growth...

- Exports rose by 1.4% November, as a second consecutive increase helped bring exports to just below the August record. November's increase was due mainly to higher exports of high-tech M&E and Industrial Goods.
- Imports were down 0.2% in November, registering their first drop in 10 months. The decline was due primarily to lower imports of M&E and Agricultural Products, which both experienced surges in the previous month. The most significant increase was in Energy Products (+18.9%), which was boosted by higher crude oil prices.

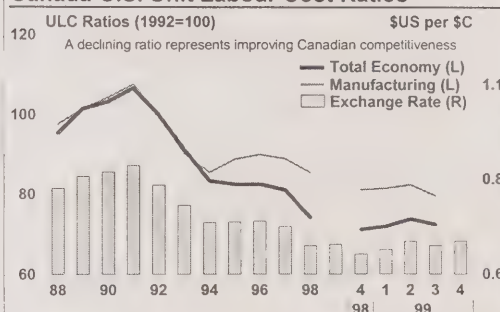
### ...leads to a higher trade surplus

- The trade surplus rose to \$3.1 billion in November, its highest level in four months. This follows a strong third quarter, where a sharp improvement in the merchandise trade surplus led to Canada's first current account surplus since 1996.
- On a year-to-date basis, the cumulative trade surplus had reached \$30.6 billion as of November, more than 75% higher than a year ago.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

### Merchandise Trade

November 1999	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	1999 Oct	1999 Nov	1998 Jan-Nov	1999 Jan-Nov	Oct to Nov 1999	Oct to Nov 1999	Oct to Nov 98	Nov 98 to Nov 99
<b>Exports</b>	30,913	31,351	294,010	328,423	438	1.4		10.5
to United States	26,560	26,881	245,413	282,265	321	1.2		10.8
<b>Imports</b>	28,292	28,224	276,642	297,808	-68	-0.2		6.1
from United States	21,366	21,083	212,763	227,494	-283	-1.3		2.4
<b>Trade Balance</b>	2,621	3,127	17,368	30,615	506			
with United States	5,194	5,798	32,650	54,771	604			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,179	2,163	23,030	23,441	-16	-0.7		1.6
Energy Products	2,779	2,833	22,172	27,020	54	1.9		53.3
Forestry Products	3,294	3,294	32,106	35,427	0	0.0		9.1
Industrial Goods & Materials	4,956	5,091	52,809	52,285	135	2.7		8.5
Machinery & Equipment	7,404	7,620	72,121	77,674	216	2.9		15.0
Automotive Products	8,061	8,060	69,578	87,735	-1	0.0		2.6
Other Consumer Goods	1,139	1,127	11,350	12,461	-12	-1.1		2.2
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,544	1,468	15,768	16,203	-76	-4.9		-1.5
Energy Products	1,044	1,241	8,064	9,478	197	18.9		81.7
Forestry Products	228	235	2,274	2,498	7	3.1		8.3
Industrial Goods & Materials	5,328	5,391	55,164	56,385	63	1.2		4.6
Machinery & Equipment	9,506	9,244	92,287	98,827	-262	-2.8		6.3
Automotive Products	6,450	6,498	60,599	69,488	48	0.7		3.7
Other Consumer Goods	3,157	3,140	31,426	33,709	-17	-0.5		0.9





# LABOUR MARKET TRENDS

## Employment and Unemployment



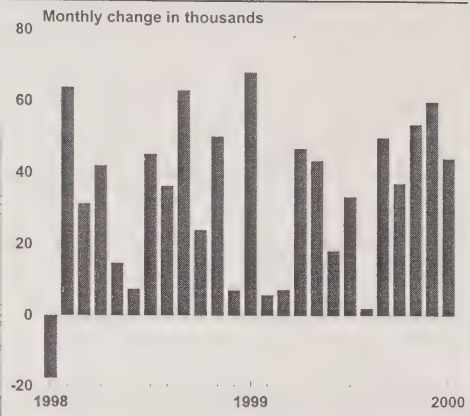
### *The year begins with another solid rise in employment...*

- After increasing by 427,000 overall in 1999, employment rose a further 44,000 in January, marking the 24th consecutive monthly gain.
- Gains were split fairly evenly between full-time and part-time employment in January. However, over the last twelve months full-time work has increased by 442,000 while the number of part-time jobs has fallen 39,000.

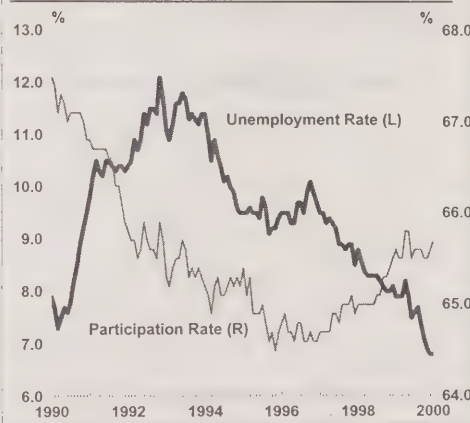
### *...but the unemployment rate remains unchanged at 6.8%, a 23-year low*

- As January's employment gains were matched by an increase in the labour force (+47,000), the national unemployment rate was unchanged at 6.8% in January. (The December rate had been revised down from 6.9% with the release of extensive revisions to the labour force survey earlier in the month.) The current unemployment rate is the lowest since April 1976.
- The adult unemployment rate rose 0.1 percentage points to 5.7% in January. Higher employment plus a decline in the labour force lowered the youth unemployment rate 0.6 points to 12.5%.

### Employment



### Unemployment Rate



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 January	1999 December	2000 January	last month	last year	year-to- date	last month	last year
Employment	14,388.6	14,747.5	14,791.8	44.3	403.2	44.3	0.3	2.8
Full-time	11,675.3	12,095.4	12,117.6	22.2	442.3	22.2	0.2	3.8
Part-time	2,713.3	2,652.1	2,674.2	22.1	-39.1	22.1	0.8	-1.4
Youth 15-24	2,193.6	2,254.1	2,265.8	11.7	72.2	11.7	0.5	3.3
Adult 25+	12,195.0	12,493.3	12,526.0	32.7	331.0	32.7	0.3	2.7
Self-employed	2,464.6	2,509.0	2,531.2	22.2	66.6	22.2	0.9	2.7
Unemployment	1,237.3	1,074.9	1,077.5	2.6	-159.8	2.6	0.2	-12.9
Unemployment Rate	7.9	6.8	6.8	0.0	-1.1	0.0		
Youth 15-24	14.1	13.1	12.5	-0.6	-1.6	-0.6		
Adult 25+	6.7	5.6	5.7	0.1	-1.0	0.1		
Labour Force	15,625.9	15,822.3	15,869.3	47.0	243.4	47.0	0.3	1.6
Participation Rate	65.6	65.6	65.7	0.1	0.1	0.1		
Employment Rate	60.4	61.2	61.3	0.1	0.9	0.1		



# LABOUR MARKET TRENDS

## Industry Overview



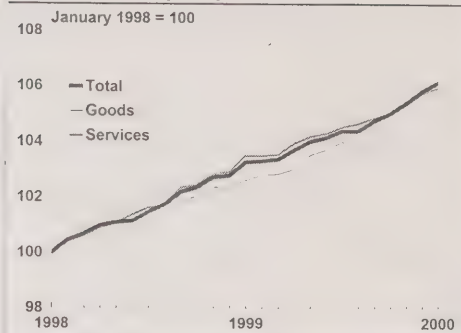
### Job growth is strongest in the Goods sector...

- Gains in Manufacturing and Construction contributed to a net increase of 24,000 workers in the Goods-producing sector. Employment in these two industries is up sharply on a year-over-year basis.
- Employment was up 20,000 in the Service sector in January, led by solid advances in Health Care & Social Assistance as well as Transportation & Warehousing. Five of the eight remaining major industry groups posted modest net job losses on the month, however.

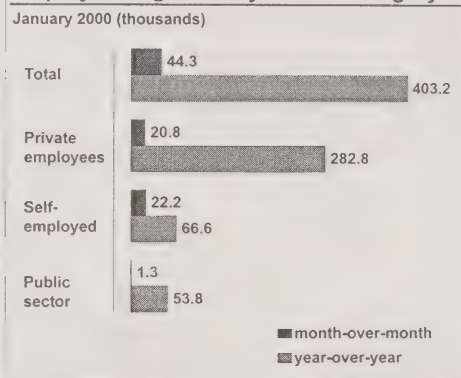
### ...boosted by ongoing strength in the private sector

- The private sector accounted for virtually all of the net job creation in January. The number of paid employees in the private sector was up 21,000, and was matched by a similar rise in self-employment.
- Employment in the public sector was little changed on the month.

### Employment by major sector



### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 January	1999 December	2000 January	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,738.4	3,865.3	3,889.2	23.9	150.8	23.9	0.6	4.0
Agriculture	418.8	399.1	401.1	2.0	-17.7	2.0	0.5	-4.2
Other Primary*	279.2	275.3	275.5	0.2	-3.7	0.2	0.1	-1.3
Utilities	113.2	115.4	116.0	0.6	2.8	0.6	0.5	2.5
Construction	762.0	807.4	815.0	7.6	53.0	7.6	0.9	7.0
Manufacturing	2,165.2	2,268.2	2,281.7	13.5	116.5	13.5	0.6	5.4
<b>Service-producing</b>	10,650.3	10,882.2	10,902.6	20.4	252.3	20.4	0.2	2.4
Trade	2,227.1	2,271.7	2,263.1	-8.6	36.0	-8.6	-0.4	1.6
Transportation	721.2	764.2	776.6	12.4	55.4	12.4	1.6	7.7
FIRE*	863.3	865.3	859.6	-5.7	-3.7	-5.7	-0.7	-0.4
Professional/Scientific	892.6	926.5	927.1	0.6	34.5	0.6	0.1	3.9
Management/Administrative	487.8	517.5	512.5	-5.0	24.7	-5.0	-1.0	5.1
Educational Services	981.9	1,001.7	998.5	-3.2	16.6	-3.2	-0.3	1.7
Health Care/Social Assistance	1,414.3	1,471.9	1,511.0	39.1	96.7	39.1	2.7	6.8
Information/Culture/Recreation	626.2	636.2	628.4	-7.8	2.2	-7.8	-1.2	0.4
Accommodation & Food	920.2	950.6	951.7	1.1	31.5	1.1	0.1	3.4
Other Services	734.5	708.9	701.3	-7.6	-33.2	-7.6	-1.1	-4.5
Public Administration	781.3	767.8	772.8	5.0	-8.5	5.0	0.7	-1.1

\*Other Primary: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.





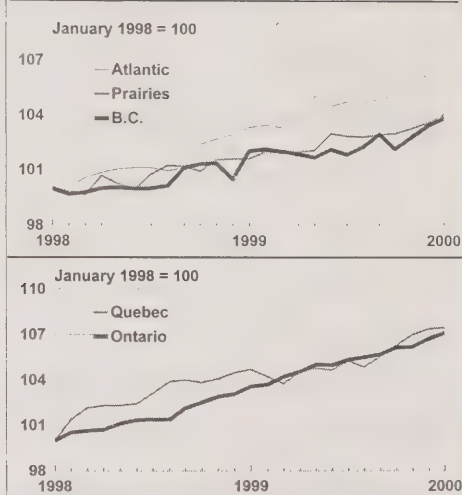
### Most provinces register job gains in January...

- Newfoundland was the only province to record a net job loss in January. Job growth was solid elsewhere in Atlantic Canada, extending the strong pick-up in employment growth that has been evident over the past three months.
- Employment advanced 21,000 in Ontario, but was little changed in Quebec following a surge in job growth since the end of the summer. Job growth in Western Canada was led by Manitoba and Saskatchewan.

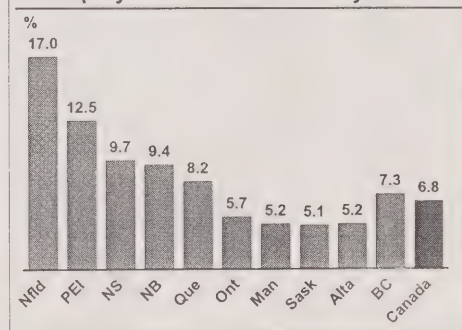
### ...but Newfoundland's unemployment rate rises sharply

- Job losses in Newfoundland drove its unemployment rate up nearly 3 full percentage points to 17.0% in January. Elsewhere in Atlantic Canada, the unemployment rate was little changed in Nova Scotia, but down in New Brunswick and P.E.I.
- Ontario's unemployment rate edged higher as employment gains were outpaced by a rise in the labour force. Quebec's unemployment rate was also up slightly.
- The unemployment rate in Manitoba was unchanged at 5.2%, but all other Western provinces registered lower rates.

### Regional employment patterns



### Unemployment Rates -- January 2000



### Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels	Change since		Change since			Levels	Change since	
	2000 January	last month (000's)	%	last year (000's)	%		last month	last year	
Canada	14,791.8	44.3	0.3	403.2	2.8		6.8	0.0	-1.1
Newfoundland	204.1	-7.1	-3.4	5.9	3.0		17.0	2.9	-1.0
P.E.I.	64.4	0.7	1.1	4.4	7.3		12.5	-0.2	-3.6
Nova Scotia	417.5	3.6	0.9	13.4	3.3		9.7	0.1	0.2
New Brunswick	332.4	3.0	0.9	3.6	1.1		9.4	-0.8	-2.2
Quebec	3,428.7	3.1	0.1	88.4	2.6		8.2	0.1	-1.6
Ontario	5,795.3	21.3	0.4	191.8	3.4		5.7	0.2	-0.9
Manitoba	549.9	3.9	0.7	12.4	2.3		5.2	0.0	-0.6
Saskatchewan	488.2	4.3	0.9	11.5	2.4		5.1	-0.2	-1.3
Alberta	1,575.4	3.7	0.2	38.0	2.5		5.2	-0.2	-0.8
B.C.	1,935.9	7.7	0.4	33.7	1.8		7.3	-0.5	-1.0





# PRICES and FINANCIAL MARKETS

## Consumer and Commodity Prices



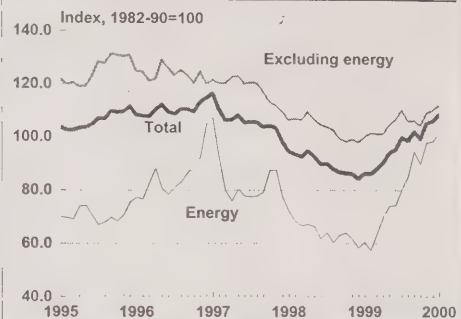
### Higher energy prices push up inflation in December ...

- Inflation was 2.6% in December on a year-over-year basis, up from 2.2% in November. Energy prices continue to trend upward, rising a strong 15.1% on an annual basis. CPI inflation averaged 1.7% in 1999, nearly double the 0.9% rate recorded in the previous two years.
- On a monthly basis, consumer prices increased by only 0.1% in December, with lower prices for Clothing & Footwear, Recreation and Household Operations largely offsetting higher prices in other categories.

### ...but the "core" rate remains within the official target range

- Excluding energy, food and indirect taxes, the "core" rate of inflation was 1.6% in December, remaining within the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices rose sharply again in January, bringing the year-over-year increase to 26.1% (68.9% for Energy prices alone). Commodity prices have been trending up strongly over the past nine months following two years of decline, and are now nearly back to the level reached three years ago.

### Commodity Prices (\$U.S. basis)



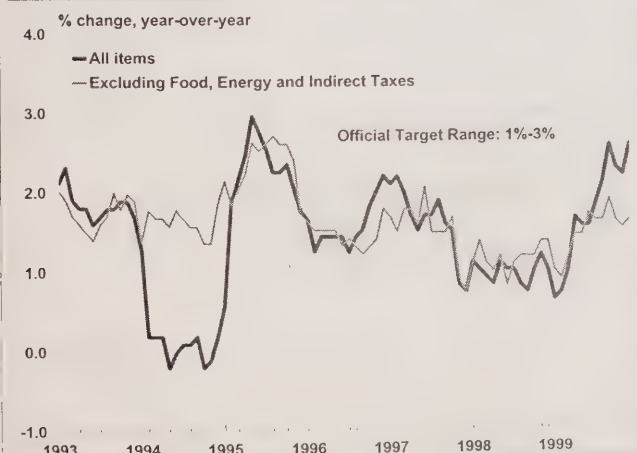
### Consumer Prices

December 1999	Index (1992=100)	% Change since	
		last month	last year
All items CPI	111.5	0.1	2.6
Food	110.9	0.3	1.1
Shelter	106.4	0.5	1.9
Household operations	109.2	-0.3	1.3
Clothing & Footwear	103.4	-1.9	0.8
Transportation	128.3	0.8	6.7
Health & Personal Care	110.8	0.3	1.8
Recreation, Educ. & Reading	119.4	-0.7	2.5
Alcohol & Tobacco	95.9	0.8	2.7
Excl. Food/Energy/Indirect Taxes	112.3	-0.1	1.6
Energy	118.4	2.2	15.1

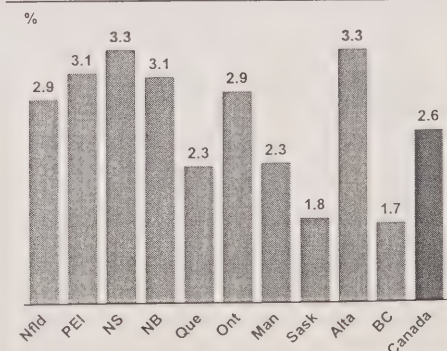
### Commodity Prices (January)

Index, 1982-90=100	108.8	2.4	26.1
Excluding Energy	112.4	1.8	12.3
Energy	102.0	3.4	68.9

### Consumer Price Index



### Provincial CPI Inflation -- December 1999







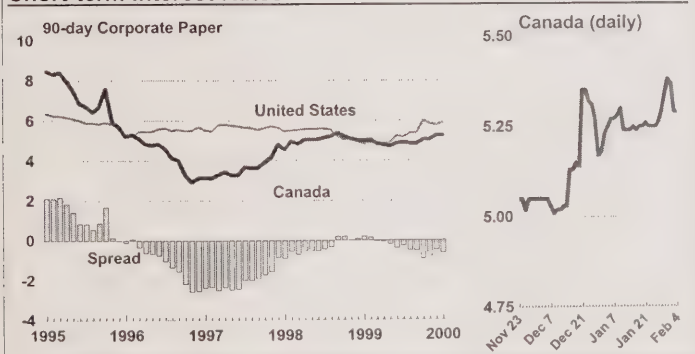
### *The Bank of Canada raises short term interest rates in January...*

- The Bank of Canada raised its trendsetting Bank Rate by 25 basis points to 5.25% on February 3. This move was justified based on the need to keep inflation within its 1 to 3 percent target range amid growing evidence of continued strong economic growth. The rate hike also followed a similar move by the U.S. Federal Reserve.
- The Bank of Canada's announcement triggered increases in the major banks' Prime Lending Rate, which rose from 6.5% to 6.75%. Upward pressure was also put on both short-term and long-term mortgage rates, which had jumped up already in January.
- Short term interest rates increased more rapidly in the U.S. than in Canada in January, widening the Canada-U.S. interest rate gap to 60 basis point in Canada's favour.

### *...but long-term yields fall*

- Long term interest rates declined sharply near the end of January, offsetting a run-up in bond yields that occurred at the beginning of the month. The drop in long-term rates was attributed to market expectations that further inflation will be contained successfully in both Canada and the United States.

#### Short-term Interest Rates

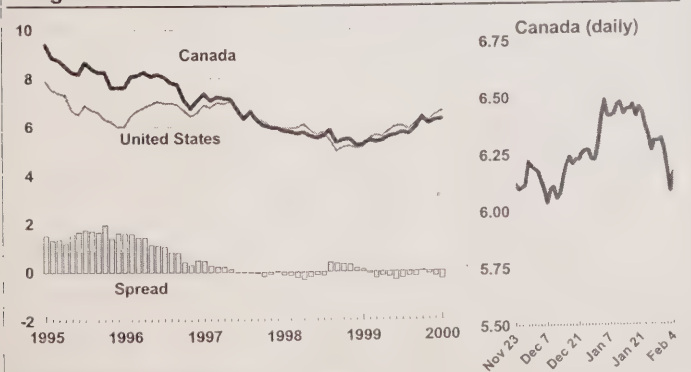


#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Aug 1999	4.87	-0.50	5.68	-0.19
Sept	4.83	-0.53	5.91	-0.22
Oct	5.05	-0.93	6.36	0.03
Nov	5.05	-0.80	6.10	-0.12
Dec	5.27	-0.49	6.23	-0.22
Jan 2000	5.25	-0.64	6.27	-0.33
Feb 2	5.37	-0.60	6.19	-0.13

A positive spread indicates that Canadian rates are above their U.S. counterparts.

#### Long-term Bond Yields



#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Aug 1999	4.75	6.25	7.05	7.80
Sept	4.75	6.25	6.80	7.70
Oct	4.75	6.25	7.35	8.25
Nov	5.00	6.50	7.35	8.25
Dec	5.00	6.50	7.35	8.25
Jan 2000	5.00	6.50	7.60	8.55
Feb 2	5.00	6.50	7.60	8.55



# PRICES and FINANCIAL MARKETS

## Exchange Rates and Stock Prices



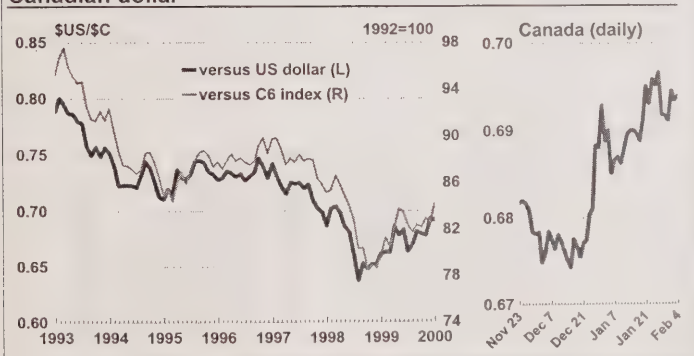
### Canadian stock prices surge early in February...

- After gaining 12% in December, the TSE 300 index advanced a further 0.8% in January. Stock prices also shot up early in February, rising above the 9,000 mark for the first time ever on February 4 to close at 9,209, up 8.6% from January's close.
- Increased confidence in the Canadian economy – boosted by the release of strong employment figures for January and relatively low interest rates – helped propel the TSE 300 to its new record high.
- While Canada stock prices remained firm in January, the two major U.S. stock indexes – the S&P 500 and the Dow Jones – were both down roughly 5% on the month.

### ...but the upward momentum in the dollar is halted

- After reaching a 20-month high of \$US 0.6967 on January 27, the dollar fell back to \$US 0.6918 by the end of the month, leaving it virtually unchanged from its December close. The dollar retreated in part due to expectations that further interest rate hikes would be required in the United States to temper its buoyant economy. The Canadian dollar subsequently regained some of this lost ground, closing at \$US 0.6940 on February 4.

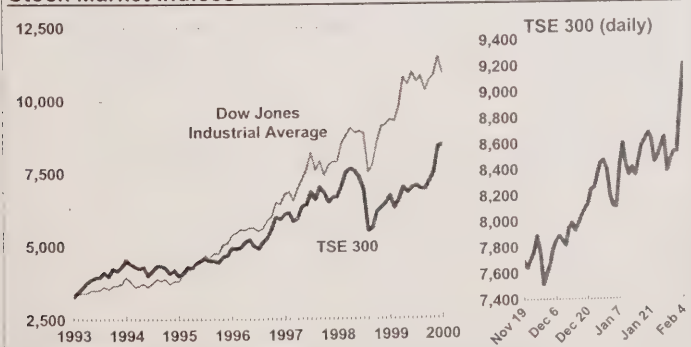
Canadian dollar



The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Aug 1999	0.6700	81.79	1.236	75.80
Sept	0.6815	82.43	1.261	72.34
Oct	0.6797	82.22	1.237	71.71
Nov	0.6782	82.96	1.291	71.29
Dec	0.6929	82.67	1.313	69.66
Jan 2000	0.6918	84.15	1.333	72.77
Feb 4	0.6940			

Stock Market Indices



Key Stock Market Indexes

	January Close	% change from last month	% change from last year
TSE 300	8,481	0.8	26.0
Oil & Gas	5,786	-1.3	30.9
Metals & Minerals	4,073	-9.0	34.4
Utilities	13,812	9.9	68.8
Paper & Forest	5,358	2.3	48.2
Merchandising	4,633	-9.4	-15.7
Financial Services	7,081	-4.4	-17.8
Gold	4,334	-11.1	-23.5
Price-Earnings Ratio*	34.1	-5.9	7.9
S&P 500	1,394	-5.1	9.0
Dow Jones	10,941	-4.8	16.9

\*columns 2 & 3 reflect change in levels





# THE UNITED STATES ECONOMY



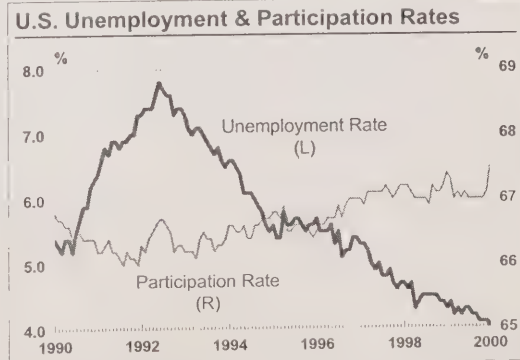
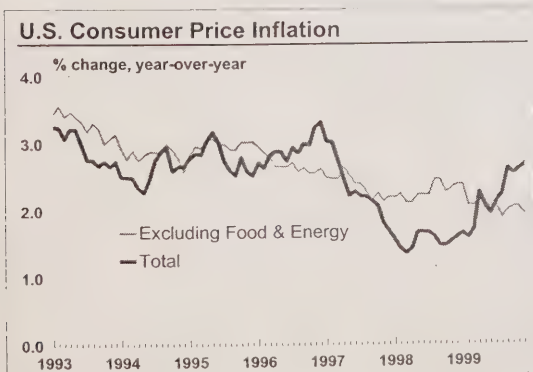
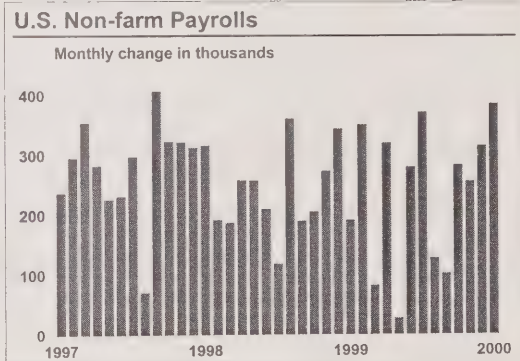
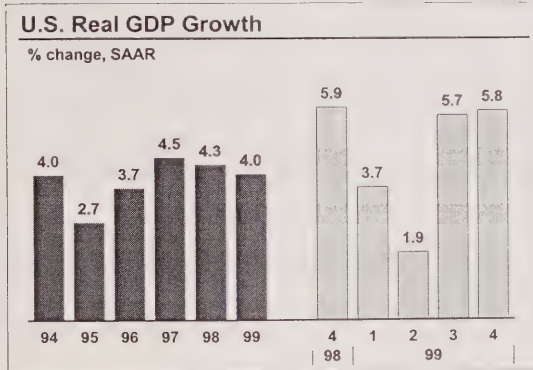
## U.S. Economic Trends

### *The Federal Reserve boosts interest rates...*

- As expected, the Federal Reserve Board raised its key federal funds rate by a quarter point to 5.75% on February 1 to prevent the emergence of inflationary pressures. Despite modest CPI inflation, fears of higher prices were sparked by a 1.1% increase in the employment cost index in the fourth quarter of 1999, and January's 0.4% rise in average hourly earnings.
- Labour productivity grew at a 5.0% annual rate in the third and fourth quarters of 1999, helping to keep downward pressure on costs and thus inflation.

### *... as the US economy ends 1999 on a very strong note*

- Advance estimates indicates that real GDP increased 5.8% (annual rate) in the fourth quarter of 1999, its strongest growth rate of the year. Production was boosted by consumer spending and inventory investment, but strong import growth moderated overall growth.
- Employment rose by 387,000 in January, its biggest advance since September 1997. This unexpectedly large gain reflects a surge in construction activity related to warmer-than-usual temperatures. The unemployment rate edged down 0.1 percentage points to 4.0%, a near 30-year low.
- The U.S. trade deficit soared to \$26.5 billion in November, the second straight monthly record. A jump in imports (1.4%) led to the higher deficit despite strong export growth (0.7%). On a year-to-date basis, the trade deficit is up 60% compared to 1998.





## COMING UP

### Key Future Data Releases and Planned Events



#### CANADA

Survey of Manufacturing – December .....	February 15
International Trade – December .....	February 18
Private and Public Investment Intentions – 2000 .....	February 23
Consumer Price Index – January .....	February 24
Financial Statistics For Enterprises – 4th Quarter 1999 .....	February 25
GDP at factor cost – December .....	February 28
National Economic & Financial Accounts – 4th Quarter 1999 .....	February 28
Balance of International Payments – 4th Quarter 1999 .....	February 28
Federal Budget 2000 .....	February 28
Capacity Utilization Rates – 4th Quarter 1999 .....	March 7
Labour Force Survey – February .....	March 10
Business Conditions Survey – April .....	May 2

#### UNITED STATES

Consumer Price Index – January .....	February 18
International Trade – December .....	February 18
GDP – 4th Quarter 1999, Preliminary estimate .....	February 25
Employment Situation – February .....	March 3
Federal Open Market Committee meeting .....	March 21

Note: the February MEI uses data available as of February 4, 2000



# MONTHLY ECONOMIC INDICATORS

## March 2000

### HIGHLIGHTS

-  **Real GDP advances 4.6% in the fourth quarter, boosting overall growth in 1999 to 4.2%.**
-  **Import growth outpaces export growth, leading to a lower trade surplus in December and for the fourth quarter as a whole.**
-  **Solid job gains hold Canada's unemployment rate steady at 6.8% in January, the lowest since 1976.**
-  **The prospect of higher U.S. interest rates puts downward pressure on the Canadian dollar.**
-  **Canadian stocks outperform their U.S. counterparts, as the TSE300 nears the 10,000 level.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	766.6	0.4	4.6	Dec.
Goods	258.2	0.7	6.6	Dec.
Services	508.5	0.3	3.7	Dec.
Composite Index	156.7	0.5	7.2	Jan.
Employment (000's)	14,828	0.2	3.0	Feb.
Full-time	12,157	0.3	3.8	Feb.
Part-time	2,670	-0.1	-0.3	Feb.
Unemployment* (%)	6.8	6.8	7.9	Feb.
Youth*	13.0	12.5	14.4	Feb.
Adult*	5.6	5.7	6.7	Feb.
CPI inflation*	2.3	2.6	0.6	Jan.
Retail Sales (\$M)	22,528	2.0	8.8	Dec.
Housing Starts (000's)	168.0	11.9	15.9	Feb.
Trade Balance* (\$M)	2,742	3,207	1,492	Dec.
Exports	31,893	1.4	12.9	Dec.
Imports	29,151	3.2	8.9	Dec.
M&E	9,462	2.3	4.9	Dec.
3-mth Corp. paper* (%)	5.36	5.25	5.04	Mar. 8
Long bond yield* (%)	5.80	6.27	5.43	Mar. 8
Canadian dollar* (US¢)	68.57	69.18	66.32	Mar. 10

\*Data in levels only - % change not reported.

**This issue's Special Report:  
Innovative Activity in Canada by Technological Field**

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at <http://strategis.ic.gc.ca/sc/ecnmy/mera/engdoc/03.html>.



Industry  
Canada

Industrie  
Canada

Canada





# **MONTHLY ECONOMIC INDICATORS**

## **March 2000**

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This report uses data available as of March 10, 2000. It has been prepared by Marianne Blais, Julie Dubois, Joe Macaluso, Alison McDermott and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. The special report in this issue is based on a forthcoming study by M. Rafiquzzaman and Karen Smith. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).





### Stronger-than-expected growth in the fourth quarter...

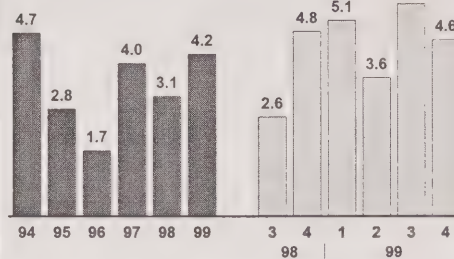
- Real GDP rose 4.6% (annual rate) in the fourth quarter of 1999, led by a pick-up in business investment and housing. This advance extends the consecutive string of quarterly gains to 18, the longest observed since the 1960's.
- Domestic demand was the main source of strength, with business investment in M&E and inventories and residential construction all rebounding from a weaker third quarter. Consumer spending posted its fourth consecutive period of solid growth, supported by high levels of consumer confidence.
- Reflecting recent employment gains, growth in personal incomes advanced strongly in the fourth quarter, keeping pace with spending and leaving the personal saving rate unchanged at 1.1%. The household debt-to-income ratio also held steady at 99.9%.
- Exports of goods and services once again grew solidly, but failed to keep pace with imports. As a result, Canada's real trade surplus declined in the fourth quarter.

### ...boosts growth for the year to 4.2%

- For 1999 as a whole, the economy expanded by 4.2%, up from growth of 3.1% in 1998.
- Consumer spending strengthened over the course of the year, reflecting growing levels of consumer confidence and improving labour market conditions. Personal incomes were up 3.7% overall in 1999, boosted by a net job gain of 427,000.
- 1999 was also a banner year for corporate profits, which benefitted from firming commodity prices and strengthening international demand. Profits increased over 25% on the year, more than offsetting losses in 1998.

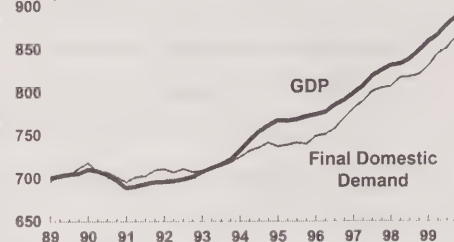
#### Growth in Real Gross Domestic Product

% change, SAAR



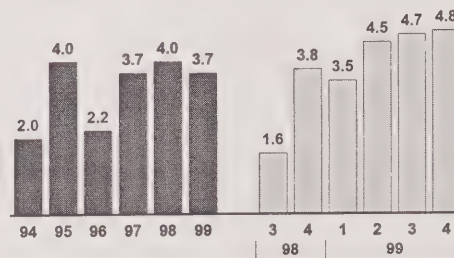
#### GDP and Final Domestic Demand

\$ Billions

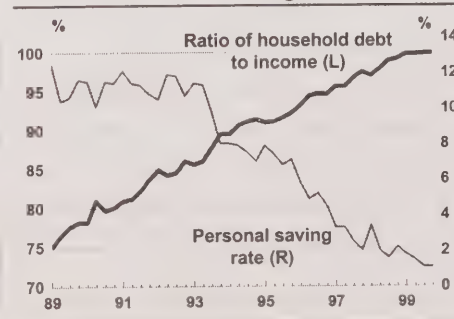


#### Growth in Personal Income

% change, SAAR



#### Personal Debt and Saving Rate





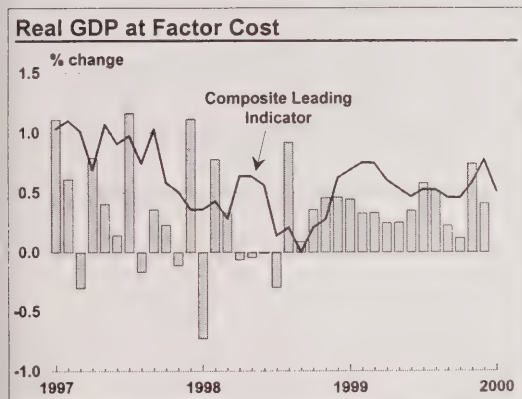


### Growth in Real GDP picks up in December...

- Real GDP at factor cost advanced 0.4% in December, building on a sharp gain in the previous quarter. This advance represents the 17th consecutive monthly increase, surpassing the mark set in 1988.

### ...boosted by gains in the Goods-Producing and Services Sectors

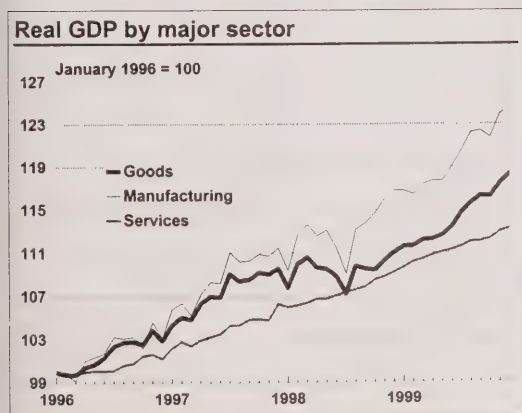
- Supported by gains across most major categories, Goods production increased 0.7% in December. Construction activity recorded its strongest monthly gain in almost three years, and a notable increase was also recorded in Logging & Forestry. A surge of activity in Manufacturing raised the annual level of production 6.7% above that in the previous year.
- Output in Services increased by 0.3% in December. This growth was led by Retail Trade, spurred by higher motor vehicle sales, but Finance & Insurance and Business Services also recorded strong performances. Services activity was somewhat dampened by sharp falls in air travel and hotel accommodations. Despite a drop in Wholesale Trade in December (due to lower sales of computers, software and other electronic machinery), this industry generally performed very well in 1999.



### Real GDP at Factor Cost (1992 dollars)

December 1999	\$ millions	monthly change	% Change since last	
			month	year
<b>Total Economy</b>	<b>766,628</b>	<b>3,140</b>	<b>0.4</b>	<b>4.6</b>
<b>Business sector</b>	<b>636,921</b>	<b>2,980</b>	<b>0.5</b>	<b>5.5</b>
<b>Goods</b>	<b>258,161</b>	<b>1,858</b>	<b>0.7</b>	<b>6.6</b>
Agriculture	13,784	0	0.0	5.7
Fishing & Trapping	733	-60	-7.6	3.7
Logging & Forestry	4,786	107	2.3	9.4
Mining*	27,694	46	0.2	3.8
Manufacturing	142,044	710	0.5	6.7
Construction	43,612	792	1.8	8.9
Other Utilities	25,508	263	1.0	5.2
<b>Services</b>	<b>508,467</b>	<b>1,282</b>	<b>0.3</b>	<b>3.7</b>
Transport & Storage	35,906	-82	-0.2	5.1
Communications	27,369	91	0.3	9.5
Wholesale Trade	46,854	-360	-0.8	6.7
Retail Trade	47,783	773	1.6	5.9
Finance & Insurance	42,167	469	1.1	3.1
Real Estate & Ins. Agent	79,917	17	0.0	2.3
Business services	45,105	442	1.0	7.8
Government services	46,013	16	0.0	2.5
Education	40,590	22	0.1	0.2
Health & Social Services	46,990	60	0.1	-0.9
Accommodation & Food	19,794	-180	-0.9	2.8
Other	29,979	14	0.0	2.4

\*Includes Quarrying and Crude Petroleum & Natural Gas







## Consumer Spending and Attitudes



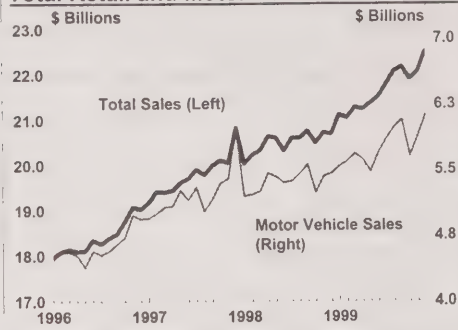
### Consumer spending remains strong in the fourth quarter...

- Real consumption rose 3.8% (annual rate) in the fourth quarter, just slightly below the pace of the previous quarter. For the year as a whole, consumption grew 3.2%, up from 2.8% in 1998.
- Consumer spending was led once again by durable goods. Sales were also boosted by Y2K celebrations and possible stockpiling in anticipation of Y2K-related disruptions.

### ...and appears poised to continue growing

- The solid growth in consumer spending will likely be sustained in coming quarters, given the recent strength of the labour market, higher personal incomes, and a corresponding upswing in consumer confidence.
- Personal disposable income rose 5.1% (annual rate) in the fourth quarter, the strongest advance of the year. This gain left the debt-to-income ratio and personal saving rate unchanged at 99.9% and 1.1%, respectively.

### Total Retail and Motor Vehicle Sales



### Retail Sales and Consumer Credit

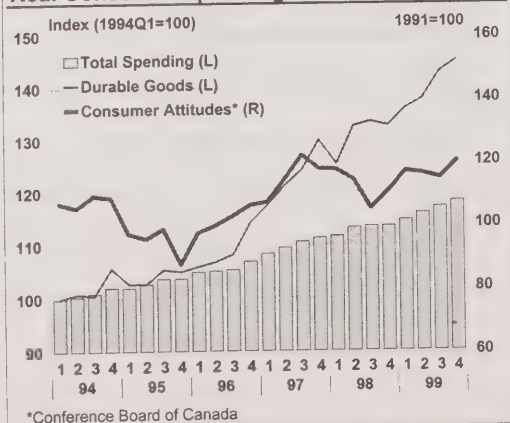
December 1999

	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	22,528	2.0	8.8
Food	5,081	2.1	5.5
Drug Stores	1,128	-1.1	5.4
Clothing	1,199	0.3	4.5
Furniture	1,191	1.0	9.3
Automotive	9,058	3.7	13.7
General Merch. Stores	2,473	1.5	4.4
All other Stores	2,398	-0.5	7.0
Total ex. motor vehicles	16,394	1.3	7.6
Consumer Credit (unadjusted)	170,585	0.7	8.0

### Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)	1998		1999	
	1998	1999	1999 Q3	1999 Q4
Real Consumption (92\$)	485,906	501,227	503,948	508,636
% change	2.8	3.2	3.9	3.8
Durable Goods	66,801	71,628	72,896	74,036
% change	6.3	7.2	15.9	6.4
Semi-Durable Goods	46,526	47,806	48,212	48,056
% change	4.9	2.8	4.5	-1.3
Non-Durable Goods	119,521	121,761	121,860	122,900
% change	1.0	1.9	1.5	3.5
Services	253,058	260,032	260,980	263,644
% change	2.3	2.8	1.9	4.1
Disposable Income	552,778	572,101	575,448	582,692
% change	3.4	3.5	4.9	5.1
Saving Rate (%)	2.3	1.4	1.1	1.1
Debt-to-Income Ratio (%)	98.3	99.9	99.9	99.9

### Real Consumer Spending and Attitudes



\*Conference Board of Canada



## Business Investment in Plant and Equipment

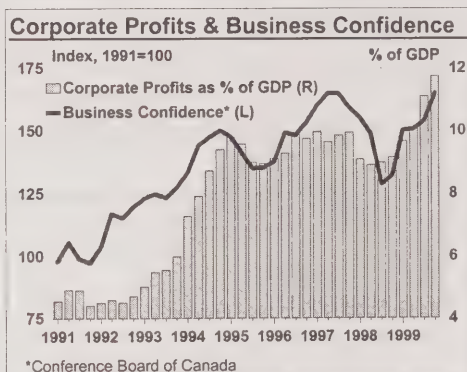
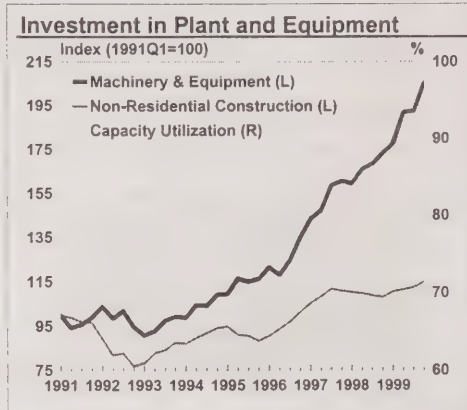


### Business investment rebounds in the fourth quarter...

- Growth in business investment soared 17.9% (annual rate) in the fourth quarter, following a pause in the previous period. This advance was led primarily by a 29.1% surge in M&E spending, with notable investments in computers, transportation equipment and telecommunications equipment.
- Non-residential Construction also picked up, increasing 9.3% in the fourth quarter. Strong growth in engineering construction more than offset a slight decline in building construction.

### ...and higher profits point to further gains

- Corporate operating profits rose an impressive 35.1% (annual rate) in the fourth quarter. Gains were led by non-financial industries, but financial industries also rebounded from a sharp drop in the third quarter.
- Capacity utilization increased by 3 percentage points to 86.8% in the fourth quarter, its highest rate since the 1987-88 economic expansion.
- Rising profits and capacity utilization have led to a sharp rise in business confidence and point to continued strong investment.



## Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q1	1999 Q2	1999 Q3	1999 Q4
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1992\$)</b>	64,701	74,357	68,924	74,380	74,600	79,524
% change	9.5	14.9	10.1	35.6	1.2	29.1
<b>Non-residential Construction (1992\$)</b>	39,110	40,217	39,572	39,896	40,248	41,152
% change	0.1	2.8	9.4	3.3	3.6	9.3
<b>Capacity Utilization (% , Non-farm goods)</b>	83.3	84.8	83.3	83.5	85.5	86.8
Capacity Utilization (Mfg. sector)	83.8	85.7	84.0	84.2	86.7	87.8
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>	132,032.0	158,142.0	144,828.0	149,124.0	162,940.0	175,676.0
% change	-9.6	19.8	20.7	12.4	42.5	35.1
<b>Profits - Non-financial industries</b>	82,442.0	114,266.0	99,548.0	104,300.0	121,592.0	131,624.0
% change	-9.2	38.6	45.8	20.5	84.7	37.3
<b>Profits - Financial industries</b>	49,590.0	43,876.0	45,280.0	44,824.0	41,348.0	44,052.0
% change	-10.1	-11.5	-18.0	-4.0	-27.6	28.8
<b>Business Credit</b>	686,621.0	716,816.0	708,232.3	709,495.3	720,157.3	729,379.0
% change	9.9	4.4	3.3	0.7	6.1	5.2





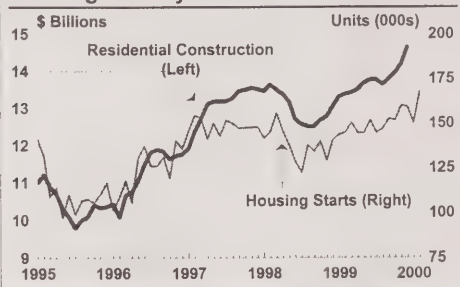
### The housing market picks up in the fourth quarter...

- Business investment in residential construction grew a solid 8.1% (annual rate) in the fourth quarter, picking up from slower growth in the previous quarter.
- Spending on alterations and improvements experienced the greatest surge, but there was also a strong gain in new housing construction. Ownership and transfer costs were down sharply on the quarter.

### ...contributing to a positive outlook for 2000

- 1999 was a good year for the housing market, which firmly recovered from the slump experienced in 1998. The outlook for 2000 also appears bright, based on an upsurge in consumer confidence and early indicators of housing data. Though mortgage rates remain low by historical standards, the potential for higher rates in the future could have a dampening effect on housing demand.
- Sales of existing homes set a new record of 233,970 units in 1999. This momentum has been sustained early in the new year, with sales up 2% in January 2000.
- Housing starts rose to 168,000 units in February 2000, recovering from a drop in January, to reach their highest level since June 1994.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	14,644	3.1%	12.1%
<b>Building Permits, \$M (2)</b>	1,799	-2.3%	25.1%
<b>Sales of Existing Homes (2)</b> (# of units)	18,682	388	
<b>Housing Starts, # of units (3)</b>	168,000	17,800	23,100
Newfoundland	2,200	1,000	1,400
Prince Edward Island	500	0	-200
Nova Scotia	3,600	-1,000	-600
New Brunswick	1,900	-2,600	300
Quebec	21,800	3,000	1,900
Ontario	80,000	15,600	19,600
Manitoba	800	-600	-500
Saskatchewan	1,500	-1,000	300
Alberta	18,800	-2,100	-2,000
British Columbia	14,800	5,500	3,400

1 - December data; 2 - January data; 3 - February data.

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

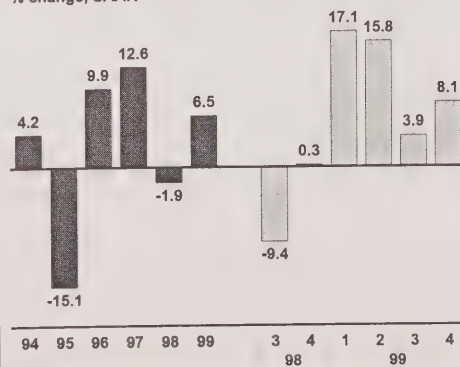
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q3	1999 Q4
<b>Residential Construction</b>	41,547	44,248	44,640	45,508
% change	-1.9	6.5	3.9	8.0
<b>Construction by Business sector</b>	41,422	44,116	44,508	45,384
% change	-1.9	6.5	3.9	8.1
<b>New Housing</b>	20,695	22,158	22,376	23,052
% change	-3.5	7.1	8.7	12.6
<b>Alterations &amp; Improvements</b>	13,645	14,415	14,216	14,904
% change	2.5	5.6	-4.9	20.8
<b>Ownership &amp; Transfer Costs</b>	7,207	7,316	8,048	7,552
% change	-5.1	1.5	7.7	-22.5

### Growth in Real Residential Construction

% change, SAAR









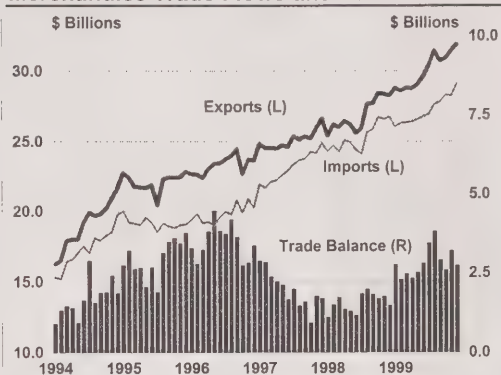
### The strong economy feeds import demand in December...

- Growing domestic demand boosted import growth in December (3.2%), reversing a slight decline in the previous month. Increases were broad based, with notable advances in Industrial Products and M&E. Imports of Energy Products fell back slightly from a price-induced surge (18.9%) in November.
- Exports rose at a slower rate (1.4%), fuelled by higher sales of trucks, automobile, plastics and crude oil to the United States. Exports of Forestry Products to Asia were also higher. December's increase builds on a gain of 1.7% in November.
- December's performance rounded out a strong year for exports, which advanced 11.9% overall – almost twice as fast as imports – supported by sustained demand from the United States.

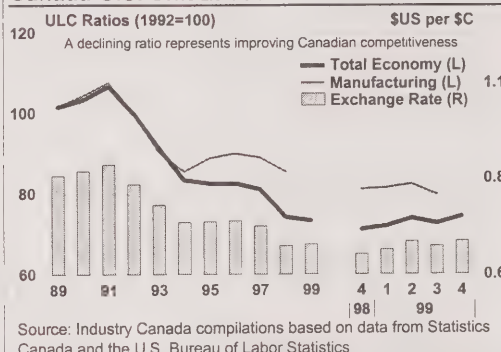
### ...leading to a lower trade surplus

- The trade surplus declined to \$2.7 billion in December as imports advanced at a faster pace than exports.
- Still, the merchandise trade surplus for 1999 reached \$34 billion, its highest level since 1996, and the third highest on record.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



### Merchandise Trade

December 1999	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	November 1999	December 1999	1998 Jan-Dec	1999 Jan-Dec	Nov to Dec 1999	Nov to Dec 1999	Nov to Dec 1999	Dec 98 to Dec 99
<b>Exports</b>	<b>31,446</b>	<b>31,893</b>	<b>322,262</b>	<b>360,599</b>	<b>447</b>	<b>1.4</b>		<b>12.9</b>
to United States	26,940	27,287	269,496	309,665	347	1.3		13.3
<b>Imports</b>	<b>28,239</b>	<b>29,151</b>	<b>303,402</b>	<b>326,661</b>	<b>912</b>	<b>3.2</b>		<b>8.9</b>
from United States	21,140	21,877	233,635	249,174	737	3.5		4.8
<b>Trade Balance</b>	<b>3,207</b>	<b>2,742</b>	<b>18,860</b>	<b>33,938</b>	<b>-465</b>			
with United States	5,800	5,410	35,861	60,491	-390			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,173	2,202	25,142	25,613	29	1.3		4.3
Energy Products	2,930	3,030	23,902	30,310	100	3.4		75.1
Forestry Products	3,318	3,432	35,172	38,902	114	3.4		11.9
Industrial Goods & Materials	4,990	5,125	57,453	56,942	-203	-2.7		10.2
Machinery & Equipment	7,588	7,385	78,823	84,960	190	2.3		5.7
Automotive Products	8,096	8,286	77,417	96,143	24	2.1		7.2
Other Consumer Goods	1,129	1,153	12,426	13,591	44	3.0		6.3
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,455	1,499	17,262	17,637	44	3.0		6.3
Energy Products	1,196	1,192	8,679	10,647	-4	-0.3		93.8
Forestry Products	237	237	2,499	2,741	0	0.0		5.3
Industrial Goods & Materials	5,447	5,720	60,286	62,142	273	5.0		11.7
Machinery & Equipment	9,250	9,462	101,303	108,231	212	2.3		4.9
Automotive Products	6,475	6,620	66,762	75,902	145	2.2		7.4
Other Consumer Goods	3,150	3,288	34,575	36,963	138	4.4		4.4





### Employment growth remains strong in February...

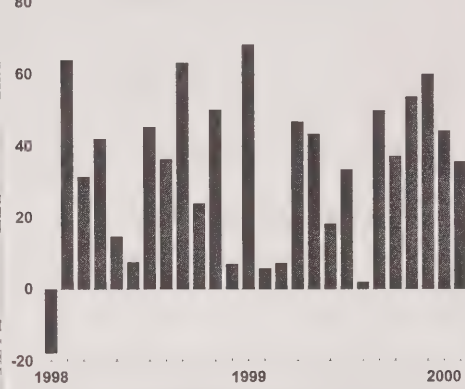
- Employment increased by 36,000 in February of this year, building on solid gains in the previous five months.
- Continuing a trend established since the beginning of last year, all of February's job gains were in full-time employment. The number of part-time workers edged lower on the month.
- Though down slightly in February (-6,000), youth employment remains well above its year-ago level.

### ...as the unemployment rate remains unchanged at 6.8%

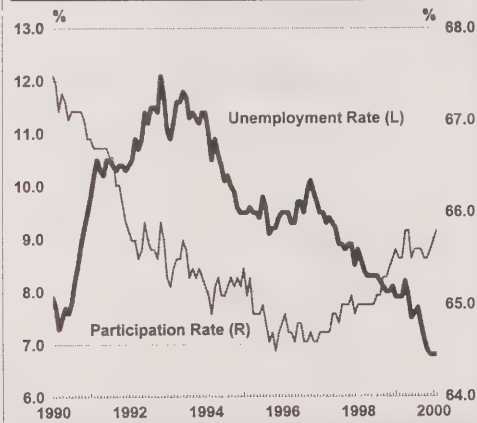
- For the second straight month, higher employment was matched by a similar rise in the labour force, leaving the national unemployment rate unchanged at 6.8%. The current unemployment rate is the lowest since April 1976.
- Employment gains lowered the adult unemployment rate by 0.1 percentage points to 5.6% in February. The unemployment rate for youth rose one-half percentage point to 13.0%, due to both modest job losses and an increase in the labour force.

#### Employment

Monthly change in thousands



#### Unemployment Rate



#### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 February	2000 January	2000 February	last month	last year	year-to-date	last month	last year
Employment	14,394.5	14,791.8	14,827.5	35.7	433.0	80.0	0.2	3.0
Full-time	11,716.1	12,117.6	12,157.1	39.5	441.0	61.7	0.3	3.8
Part-time	2,678.4	2,674.2	2,670.4	-3.8	-8.0	18.3	-0.1	-0.3
Youth 15-24	2,177.4	2,265.8	2,259.5	-6.3	82.1	5.4	-0.3	3.8
Adult 25+	12,217.1	12,526.0	12,568.0	42.0	350.9	74.7	0.3	2.9
Self-employed	2,468.9	2,531.2	2,532.6	1.4	63.7	23.6	0.1	2.6
Unemployment	1,237.5	1,077.5	1,079.5	2.0	-158.0	4.6	0.2	-12.8
Unemployment Rate	7.9	6.8	6.8	0.0	-1.1	0.0		
Youth 15-24	14.4	12.5	13.0	0.5	-1.4	-0.1		
Adult 25+	6.7	5.7	5.6	-0.1	-1.1	0.0		
Labour Force	15,632.0	15,869.3	15,907.0	37.7	275.0	84.7	0.2	1.8
Participation Rate	65.5	65.7	65.8	0.1	0.3	0.2		
Employment Rate	60.3	61.3	61.4	0.1	1.1	0.2		





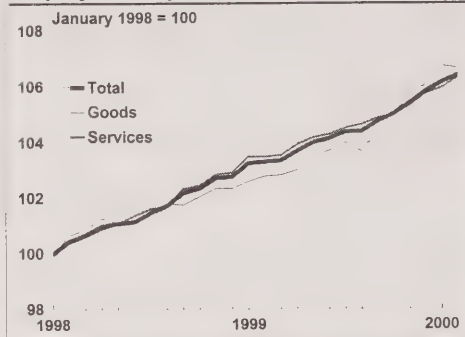
### The Services sector leads job growth in February...

- Employment increased by 39,000 in the Services sector in February of this year. Solid gains in Retail & Wholesale Trade and Accommodation & Food Services accounted for most of this gain. Notable losses were in Professional, Scientific & Technical Services, and Public Administration.
- Job growth in Goods-producing industries paused in February, following a period of very strong growth extending back to last August. Gains in Construction were offset by a decline in Manufacturing employment.

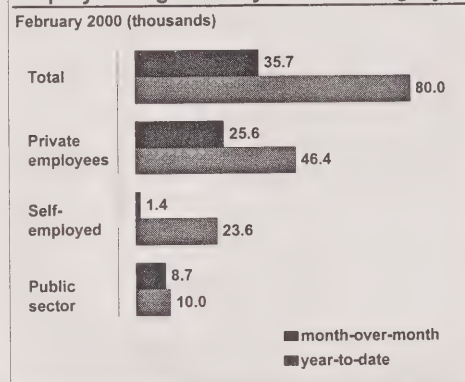
### ...with gains in both the private and public sector

- The number of paid employees in the private sector was up 26,000 in February. Self-employment was little changed after rising strongly in the previous three months.
- Employment in the public sector increased by 9,000, bringing gains over the past six months to 66,000.

### Employment by major sector



### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 February	2000 January	2000 February	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,745.3	3,889.2	3,886.1	-3.1	140.8	20.8	-0.1	3.8
Agriculture	422.0	401.1	400.2	-0.9	-21.8	1.1	-0.2	-5.2
Other Primary*	277.3	275.5	278.0	2.5	0.7	2.7	0.9	0.3
Utilities	114.8	116.0	116.9	0.9	2.1	1.5	0.8	1.8
Construction	765.9	815.0	825.6	10.6	59.7	18.2	1.3	7.8
Manufacturing	2,165.4	2,281.7	2,265.3	-16.4	99.9	-2.9	-0.7	4.6
<b>Services-producing</b>	10,649.2	10,902.6	10,941.4	38.8	292.2	59.2	0.4	2.7
Trade	2,233.5	2,263.1	2,292.4	29.3	58.9	20.7	1.3	2.6
Transportation	723.5	776.6	784.2	7.6	60.7	20.0	1.0	8.4
FIRE*	860.6	859.6	861.1	1.5	0.5	-4.2	0.2	0.1
Professional/Scientific	891.5	927.1	909.4	-17.7	17.9	-17.1	-1.9	2.0
Management/Administrative	485.7	512.5	512.7	0.2	27.0	-4.8	0.0	5.6
Educational Services	963.0	998.5	995.9	-2.6	32.9	-5.8	-0.3	3.4
Health Care/Social Assistance	1,427.7	1,511.0	1,518.4	7.4	90.7	46.5	0.5	6.4
Information/Culture/Recreation	627.1	628.4	635.3	6.9	8.2	-0.9	1.1	1.3
Accommodation & Food	919.7	951.7	965.8	14.1	46.1	15.2	1.5	5.0
Other Services	736.8	701.3	701.2	-0.1	-35.6	-7.7	-0.0	-4.8
Public Administration	780.0	772.8	765.2	-7.6	-14.8	-2.6	-1.0	-1.9

\*Other Primary: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.







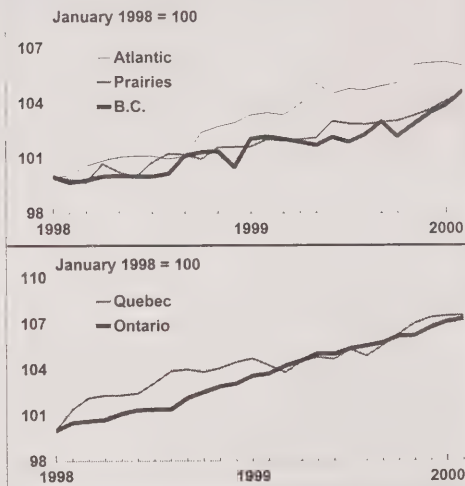
### British Columbia and Alberta pace national job gains...

- Provincial job gains were led by British Columbia (15,000) and Alberta (10,000) in February of this year.
- Employment rose by 9,000 in Ontario, but was little changed in Quebec for the second straight month following a surge in job growth at the end of last summer.
- Most Atlantic provinces (all but Prince Edward Island) posted modest job losses on the month.

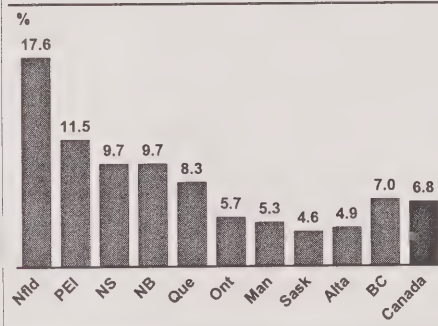
### ...but the biggest drops in unemployment rates are in PEI and Saskatchewan

- The unemployment rate fell one full percentage point to 11.5% in PEI, with modest job gains accompanied by a fall in the labour force. Higher employment and fewer job seekers also lowered Saskatchewan's rate by one-half point to 4.6%, the lowest in Canada.
- Solid job gains lowered unemployment rates by 0.3 percentage points in both Alberta (to 4.9%) and British Columbia (7.0%).
- After jumping up nearly 3 full percentage points in January, Newfoundland's unemployment rate rose a further 0.6 points in February to 17.6% – by far the highest provincial jobless rate in Canada.

### Regional employment patterns



### Unemployment Rates -- February 2000



### Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels	Change since last month		Change since last year			Levels	Change since last month	last year
	2000 February	(000's)	%	(000's)	%				
Canada	14,827.5	35.7	0.2	433.0	3.0		6.8	0.0	-1.1
Newfoundland	203.6	-0.5	-0.2	2.9	1.4		17.6	0.6	1.4
P.E.I.	64.8	0.4	0.6	4.3	7.1		11.5	-1.0	-3.8
Nova Scotia	417.0	-0.5	-0.1	14.7	3.7		9.7	0.0	-0.8
New Brunswick	331.3	-1.1	-0.3	2.5	0.8		9.7	0.3	-1.9
Quebec	3,430.6	1.9	0.1	104.9	3.2		8.3	0.1	-1.5
Ontario	5,804.2	8.9	0.2	193.4	3.4		5.7	0.0	-1.0
Manitoba	549.6	-0.3	-0.1	10.1	1.9		5.3	0.1	-0.2
Saskatchewan	490.2	2.0	0.4	13.1	2.7		4.6	-0.5	-2.1
Alberta	1,585.8	10.4	0.7	41.0	2.7		4.9	-0.3	-0.9
B.C.	1,950.4	14.5	0.7	46.1	2.4		7.0	-0.3	-1.3





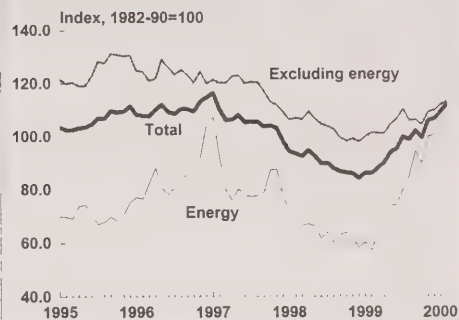
### CPI inflation slows in January...

- Consumer prices were up 2.3% in January 2000 on a year-over-year basis, compared to 2.6% in the previous month. Energy costs were up 15.0% compared to last year.
- On a month-over-month basis, prices declined 0.1% in January. This was partly due to manufacturer rebates and dealer discounts for auto sales, but lower prices for air transportation and travel tours also contributed to the monthly drop. Prices for natural gas and fresh vegetables increased over the month.

### ...leaving the "core" inflation rate well within the official target range

- Excluding energy, food and indirect taxes, the "core" rate of inflation was 1.4% in January, remaining in the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- On a year-over-year basis, commodity prices were up a solid 30.2% in February, the biggest advance in two decades. Energy prices, which are now nearly double their level of a year ago, were the main contributors to this increase.

### Commodity Prices (\$U.S. basis)



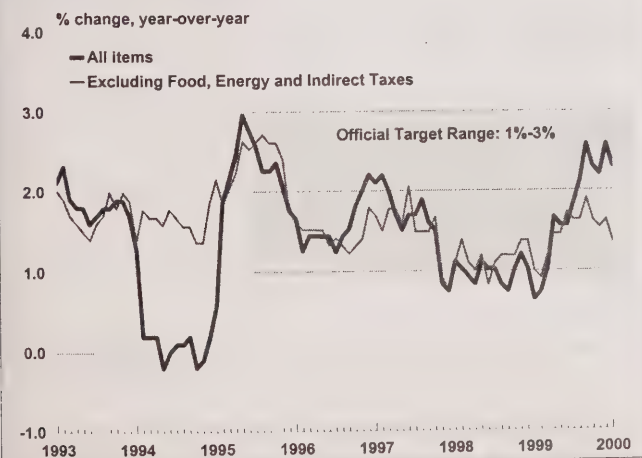
### Consumer Prices

January 2000	Index (1992=100)	% Change since last month	% Change since last year
All items CPI	111.4	-0.1	2.3
Food	110.8	-0.1	-0.3
Shelter	106.7	0.3	2.1
Household operations	108.7	-0.5	0.7
Clothing & Footwear	104.3	0.9	0.6
Transportation	127.3	-0.8	5.9
Health & Personal Care	111.0	0.2	1.8
Recreation, Educ. & Reading	118.5	-0.8	2.6
Alcohol & Tobacco	96.2	0.3	2.7
Excl. Food/Energy/Indirect Taxes	112.0	-0.3	1.4
Energy	118.6	0.2	15.0

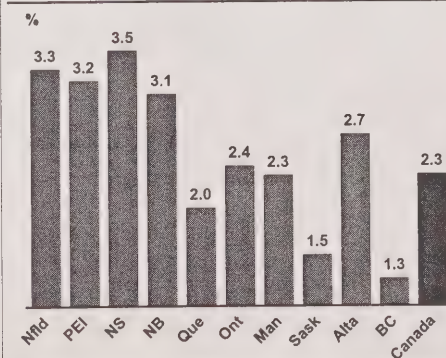
### Commodity Prices (February)

Index, 1982-90=100	112.2	2.6	30.2
Excluding Energy	113.2	1.0	11.5
Energy	110.3	5.8	92.2

### Consumer Price Index



### Provincial CPI Inflation -- January 2000





Short-term and Long-term Interest Rates



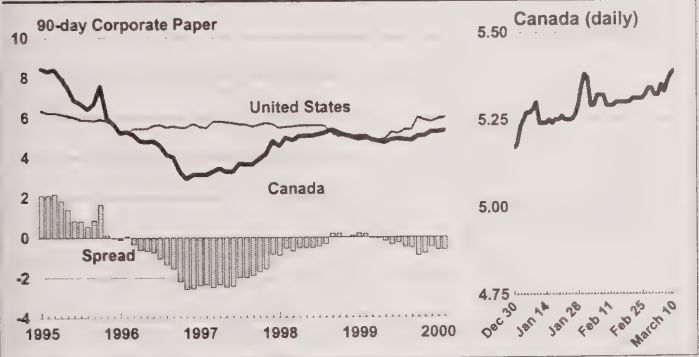
Short-term interest rates edge up in February...

- The Bank of Canada raised its trendsetting Bank Rate by 25 basis points to 5.25% on February 3, following a similar move by the U.S. Federal Reserve. This triggered a similar increase in the Chartered Banks' Prime Lending Rate to 6.75%.
- As the Bank of Canada's move was widely anticipated, market-determined short-term interest rates actually fell back with the announcement. However, growing sentiments that the stronger-than-expected economies in Canada and the U.S. will prompt authorities to tighten further pushed up rates later in the month.
- As of March 8, Canadian short-term interest rates were 62 basis points below comparable U.S. rates.

...while the long-term bond yield falls

- Long-term interest rates declined through much of February, ending the month more than 40 basis points below January's close. Given a similar decline in U.S. bond yields, Canadian long-term rates remained roughly 30 basis points below U.S. yields.
- North American bond yields have been trending down as markets anticipate that higher short-term interest rates will contain future inflation. Expectations that the supply of long-term bonds will fall as governments retire debt has also put downward pressure on bond yields, as have recent losses in U.S. equity markets which have prompted investors to opt for investments in relatively "safe" bonds.

Short-term Interest Rates

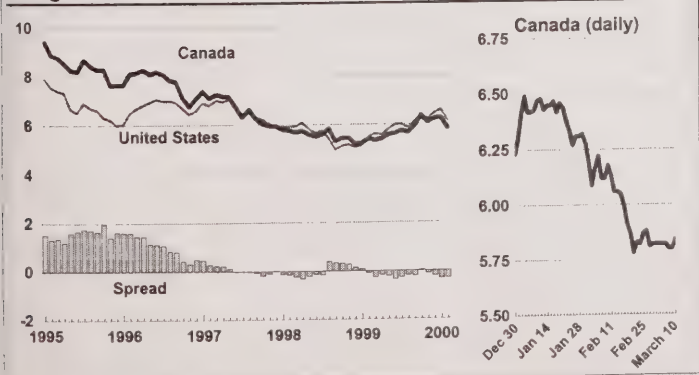


Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Sept 1999	4.83	-0.53	5.91	-0.22
Oct	5.05	-0.93	6.36	0.03
Nov	5.05	-0.80	6.10	-0.12
Dec	5.27	-0.49	6.23	-0.22
Jan 2000	5.25	-0.64	6.27	-0.33
Feb	5.31	-0.64	5.83	-0.31
March 8	5.36	-0.62	5.80	-0.37

A positive spread indicates that Canadian rates are above their U.S. counterparts.

Long-term Bond Yields



Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Sept 1999	4.75	6.25	6.80	7.70
Oct	4.75	6.25	7.35	8.25
Nov	5.00	6.50	7.35	8.25
Dec	5.00	6.50	7.35	8.25
Jan 2000	5.00	6.50	7.60	8.55
Feb	5.25	6.75	7.60	8.55
March 8	5.25	6.75	7.60	8.35





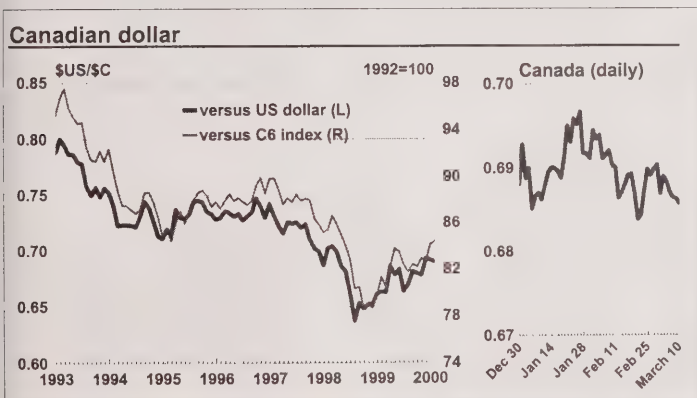


### Canadian stock prices hit record highs...

- The TSE 300 index was up 7.6% in February, bringing total gains since November to just over 21%. This momentum was sustained early into March, with the index crossing the 9,500 mark for the first time ever on March 2, less than a month after reaching the 9,000 level.
- While Canadian stock prices posted solid gains, the major U.S. stock indexes have fallen over the past two months. The Dow Jones lost 7.4% of its value in February, while the more broad based S&P 500 dropped 2.0%. These losses reflected fears that the U.S. Federal Reserve might increase interest rates faster to head off inflation.
- The gap in performance between traditional "blue chip" and high-tech stocks has been very evident in recent months, particularly in the U.S. market. The Nasdaq, home to most U.S. high-tech heavyweights and start-ups, gained around 86% in 1999 and a further 19% by the end of February. In contrast, the more traditional Dow Jones average was down nearly 12% in the first two months of the year.

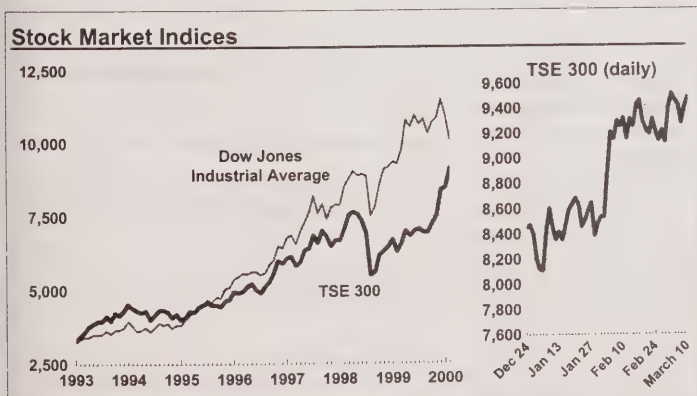
### ...but the dollar edges down

- The expectations that the Federal Reserve will announce further interest rate hikes to temper the U.S. economy weakened the Canadian dollar in February. The exchange rate dropped roughly a third of a cent to close at \$US 0.6898 in February, and fell further in early March.



### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Sept 1999	0.6815	82.43	1.261	72.34
Oct	0.6797	82.22	1.237	71.71
Nov	0.6782	82.96	1.291	71.29
Dec	0.6929	82.67	1.313	69.66
Jan 2000	0.6918	84.15	1.333	72.77
Feb	0.6898	84.39	1.370	75.43
March 10	0.6857			



### Key Stock Market Indexes

	February Close	% change from last month	% change from last year
TSE 300	9,129	7.6	44.6
Oil & Gas	5,497	-5.0	35.8
Metals & Minerals	3,490	-14.3	15.0
Utilities	14,853	7.5	94.9
Paper & Forest	5,161	-3.7	47.6
Merchandising	4,519	-2.4	-14.9
Financial Services	7,052	-0.4	-12.3
Gold	4,223	-2.6	-20.7
Price-Earnings Ratio*	32.3	-1.8	8.7
S&P 500	1,366	-2.0	10.3
Dow Jones	10,128	-7.4	8.8

\*columns 2 & 3 reflect change in levels





### *The US economy expands far beyond expectations...*

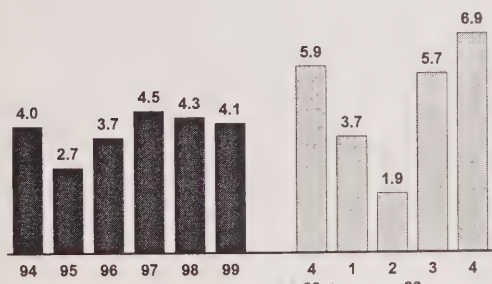
- Preliminary estimates indicate that the U.S. economy surged 6.9% (annual rate) in the final quarter of 1999, more than one percentage point higher than the advance estimate and the strongest quarterly growth rate in 3 1/2 years. Stronger consumer spending, inventory investment and exports were the main contributors to this strong performance.
- After hitting a record high in November, the U.S. trade deficit narrowed to \$25.5 billion in December, as exports grew at a faster pace (3.2%) than imports (1.0%). However, for 1999 as a whole, the deficit totaled a record \$271.3 billion, up from \$164.3 billion in 1998. This pushed up the U.S. current account deficit to an all-time high of \$338.9 billion for the year.
- Employment rose only 43,000 in February of this year, following a large increase in January (384,000) caused largely by seasonal factors. The unemployment rate edged up to 4.1% in February.

### *...raising fears of a possible rate hike by the Federal Reserve*

- Productivity rose at a revised annual rate of 6.4% in the fourth quarter of 1999, the fastest rate in seven years, while both consumer price inflation (2.7%) and producer prices remained unchanged in January of this year. Still, analysts widely expect that the Federal Reserve will raise interest rates at its March 21 meeting to prevent the emergence of inflationary pressures.

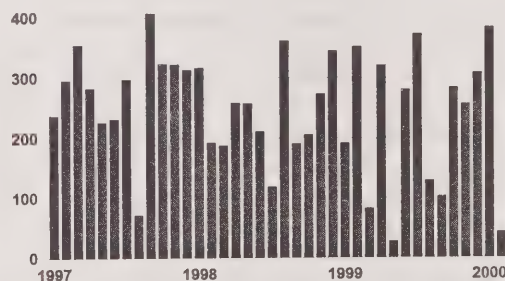
**U.S. Real GDP Growth**

% change, SAAR



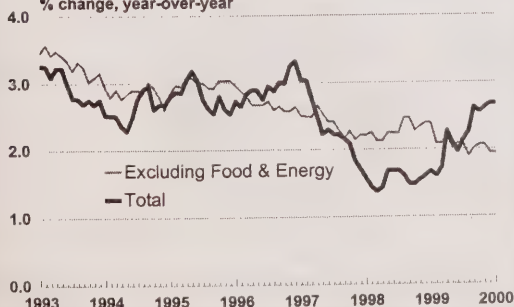
**U.S. Non-farm Payrolls**

Monthly change in thousands

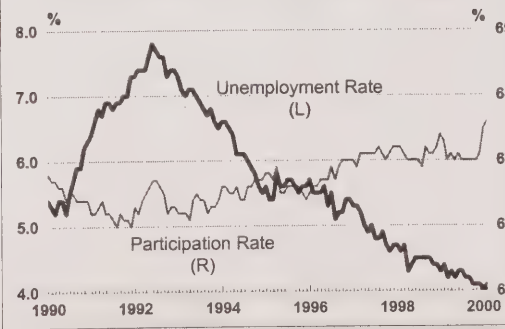


**U.S. Consumer Price Inflation**

% change, year-over-year



**U.S. Unemployment & Participation Rates**







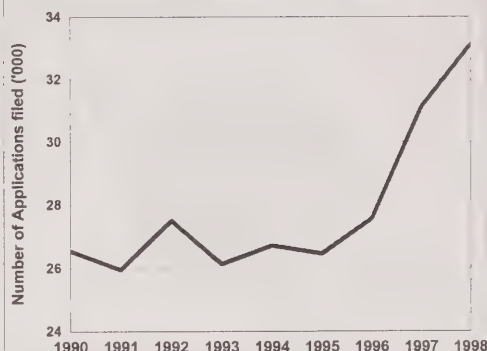
### Patent data point to increased innovative activity in Canada...

- Patenting activity increased 2.9% per year on average in the 1990s, with a particularly sharp rise in applications since 1995. Indeed, growth averaged 7.8% over the 1996-1998 period.

### ...led by the Biotechnology and Computer-related fields

- By major field, Mechanical/Civil patents accounted for the largest share of applications filed (25.6% in 1998).
- However, patent applications in the Biotechnology field increased at a faster pace – 12.2% per year in the 1990s. This fast growth nearly doubled the share of Biotechnology in total patent applications from 4.7% in 1990 to 9.0% in 1998.
- Computer-related patent applications also grew quickly (5.8% per year), boosting their share in total applications from 13.4% in 1990 to 16.4% in 1998.
- Organic Chemistry was the only major field in which patenting activity slowed in the 1990s.

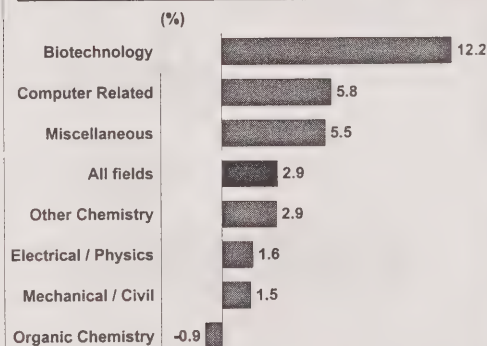
### Patenting Activity in Canada, 1990-1998



Source: Canadian Intellectual Property Office

Note: Total number of applications filed includes both domestic and foreign inventors.

### Average Annual Growth in Patenting Activity by Technological Field: 1990-1998



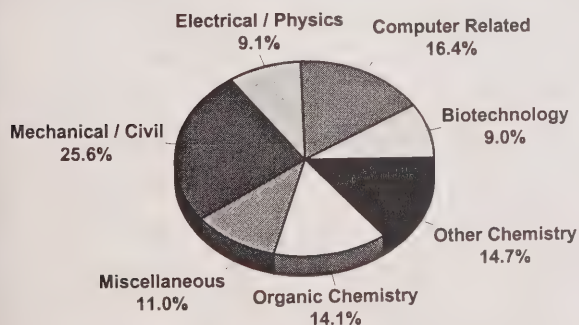
Source: MEPA compilations based on Canadian Intellectual Property Office data.

### Share of Patent Applications by Technology Field, 1990 and 1998

Technological field	Share 1990	Share 1998	Change
Biotechnology	4.7	9.0	4.4
Computer Related	13.4	16.4	3.0
Electrical / Physics	10.1	9.1	-1.0
Mechanical / Civil	28.6	25.6	-3.0
Organic Chemistry	19.3	14.1	-5.2
Other Chemistry	14.8	14.7	-0.0
Miscellaneous	9.1	11.0	1.9

Source: MEPA compilations based on Canadian Intellectual Property Office data.

### Patenting Activity in Canada by Technological Field: 1998



Source: Canadian Intellectual Property Office

Note: Total number of applications filed includes both domestic and foreign inventors.





## SPECIAL REPORT:

### Innovative Activity in Canada by Technological Field



#### *The increase in patenting activity is most evident among smaller entities...*

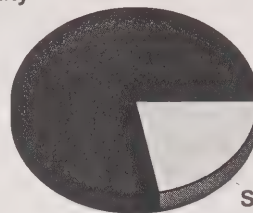
- Large entities (firms with more than 50 employees, excluding universities) accounted for just over three-quarters of all patent applications in 1998.
- However, growth in applications was much faster for smaller entities. Patent applications increased 6.6% per year on average for small entities over the 1991-1998 period, compared to growth of 2.1% for their larger counterparts. This faster growth in patenting activity for smaller entities occurred across all major fields.

#### *...who tend to concentrate their activity more heavily in the Mechanical/Civil engineering field*

- In 1998, 38.1% of all patent applications from smaller entities were in the area of Mechanical/Civil Engineering. This compares to a share of 22.1% for larger entities. Growth in patent applications in this field was relatively slow in the 1990s.
- For both large and small entities, growth in patenting activity was fastest in Biotechnology.
- Larger entities accounted for most patent applications in Organic Chemistry (94.2% in 1998). However, while their patenting activity in this area declined over the 1991-98 period, patent applications increased for smaller entities (admittedly from a much smaller base).

#### Share of Patent Applications by Entity Size, 1998

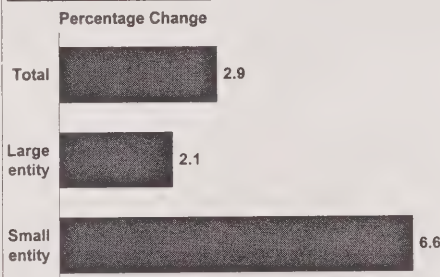
Large entity  
77.9%



Small entity  
22.1%

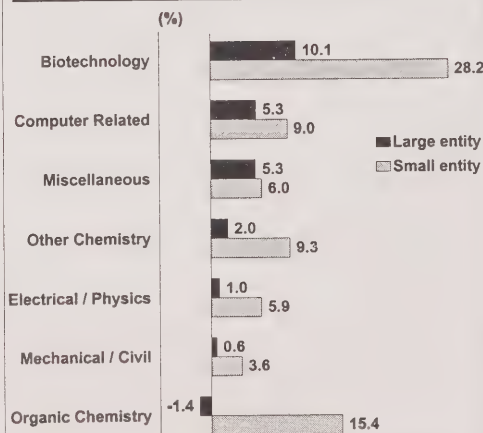
Source: Canadian Intellectual Property Office

#### Average Annual Growth in Patenting Activity: Large vs Small Entities (1991-1998)



Source: MEPA compilations based on Canadian Intellectual Property Office data.

#### Average Annual Growth in Patenting Activity by Entity Size : 1991-1998



Source: MEPA compilations based on Canadian Intellectual Property Office data.

#### Share of Patent Applications, 1998

Technological field	Field		Entity Size		Total
	Large	Small	Large	Small	
Biotechnology	9.2	8.3	79.6	20.4	100.0
Computer Related	17.6	12.2	83.6	16.4	100.0
Electrical / Physics	9.7	6.9	83.2	16.8	100.0
Mechanical / Civil	22.1	38.1	67.1	32.9	100.0
Organic Chemistry	17.1	3.7	94.2	5.8	100.0
Other Chemistry	15.8	11.1	83.3	16.7	100.0
Miscellaneous	8.6	19.6	60.6	39.4	100.0
Total	100.0	100.0			

Source: MEPA compilations based on Canadian Intellectual Property Office data.



**CANADA**

Consumer Price Index – February .....	March 15
Survey of Manufacturing – January .....	March 16
International Trade – January .....	March 21
GDP at factor cost – January .....	March 31
Labour Force Survey – March .....	April 7
Business Conditions Survey – April .....	May 2
National Economic & Financial Accounts – 1st Quarter 2000 .....	May 31
Balance of International Payments – 1st Quarter 2000 .....	May 31
Capacity Utilization Rates – 1st Quarter 2000 .....	June 7
Financial Statistics For Enterprises – 1st Quarter 2000 .....	June 9
Private and Public Investment Intentions – 2000 (revised) .....	July 19

**UNITED STATES**

Consumer Price Index – February .....	March 17
International Trade – January .....	March 21
Federal Open Market Committee meeting .....	March 21
GDP – 4th Quarter 1999, Final .....	March 30
Employment Situation – March .....	April 7

Note: the March MEI uses data available as of March 10, 2000



# MONTHLY ECONOMIC INDICATORS

## April 2000

### HIGHLIGHTS

- 
**The national unemployment rate holds steady at 6.8% for the fourth straight month in March.**
- 
**Broadly based gains lead to another solid month of output growth in January.**
- 
**Canada's trade surplus jumps up to a record \$4.5 billion in January.**
- 
**Inflation rises to a four year high in February, pushed higher by surging energy prices.**
- 
**The Bank of Canada raises its trend-setting interest rate on March 22, the second increase in as many months.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	770.1	0.5	4.7	Jan.
Goods	260.4	1.0	7.1	Jan.
Services	509.8	0.3	3.5	Jan.
Composite Index	158.2	1.0	7.4	Feb.
Employment (000's)	14,858	0.2	3.2	Mar.
Full-time	12,190	0.3	3.8	Mar.
Part-time	2,668	-0.1	0.3	Mar.
Unemployment* (%)	6.8	6.8	7.9	Mar.
Youth*	13.0	13.0	14.2	Mar.
Adult*	5.6	5.6	6.7	Mar.
CPI inflation*	2.7	2.3	0.7	Feb.
Retail Sales (\$M)	22,550	-0.0	6.7	Jan.
Housing Starts (000's)	166.1	-1.1	10.3	Mar.
Trade Balance* (\$M)	4,532	2,742	2,772	Jan.
Exports	33,160	4.0	15.1	Jan.
Imports	28,628	-1.8	9.9	Jan.
M&E	9,575	1.2	10.9	Jan.
3-mth Corp. paper* (%)	5.43	5.31	4.85	Apr. 5
Long bond yield* (%)	5.75	5.83	5.36	Apr. 5
Canadian dollar* (US¢)	68.62	68.98	66.28	Apr. 7

\*Data in levels only – % change not reported.

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).



Industry  
Canada

Industrie  
Canada

Canada





# **MONTHLY ECONOMIC INDICATORS**

## **April 2000**

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This report uses data available as of April 7, 2000. It has been prepared by Marianne Blais, Julie Dubois, Joe Macaluso, Alison McDermott and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).





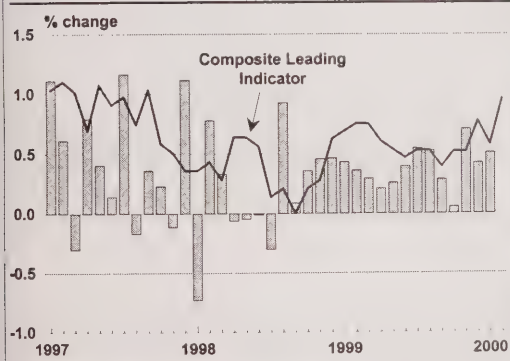
### *The economy shows continued strength in January...*

- Real GDP at factor cost advanced 0.5% in January, boosted by strong domestic and foreign demand. At 18 consecutive months, this represents the longest uninterrupted string of output gains since 1961 (when monthly data were first collected).

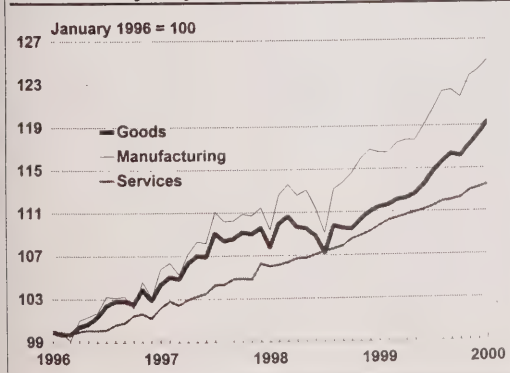
### *...with gains in most areas of the economy*

- Goods production increased 1.0% in January, with gains across most major industry groups. The Construction sector continued to surge, while Manufacturing posted another solid advance, buoyed by strong U.S. demand for automotive products and growth in the fabricated metal products industry. The output of Utilities also rose sharply on the month, and high oil prices boosted Mining activity for the third consecutive month. Production was down in Agriculture and Logging & Forestry in March, but remains up in both cases on a year-over-year basis.
- Output in Services industries increased 0.3% in January, led by growth in Communications, Finance & Insurance, and Retail Trade. Output in the telephone carrier industry rose due to greater long distance use, while booming stock market activity provided a boost to the financial sector.

**Real GDP at Factor Cost**



**Real GDP by major sector**



**Real GDP at Factor Cost (1992 dollars)**

January 2000

	\$ millions	monthly change	% Change since last month	% Change since last year
<b>Total Economy</b>	<b>770,118</b>	<b>3,891</b>	<b>0.5</b>	<b>4.7</b>
<b>Business sector</b>	<b>640,540</b>	<b>3,984</b>	<b>0.6</b>	<b>5.5</b>
<b>Goods</b>	<b>260,353</b>	<b>2,468</b>	<b>1.0</b>	<b>7.1</b>
Agriculture	13,590	-193	-1.4	3.6
Fishing & Trapping	790	57	7.8	1.3
Logging & Forestry	4,647	-185	-3.8	3.2
Mining*	28,101	297	1.1	5.3
Manufacturing	142,606	975	0.7	7.3
Construction	44,300	812	1.9	8.8
Other Utilities	26,319	705	2.8	7.5
<b>Services</b>	<b>509,765</b>	<b>1,423</b>	<b>0.3</b>	<b>3.5</b>
Transport & Storage	35,739	-5	-0.0	4.9
Communications	27,801	398	1.5	10.1
Wholesale Trade	46,702	-44	-0.1	5.6
Retail Trade	48,178	342	0.7	4.8
Finance & Insurance	42,551	371	0.9	4.0
Real Estate & Ins. Agent	80,154	199	0.2	2.5
Business services	45,317	163	0.4	8.1
Government services	45,966	-8	-0.0	2.2
Education	40,494	-78	-0.2	0.0
Health & Social Services	47,129	112	0.2	-0.7
Accommodation & Food	19,733	-27	-0.1	-0.8
Other	30,001	0	0.0	2.4

\*Includes Quarrying and Crude Petroleum & Natural Gas



## Consumer Spending and Attitudes



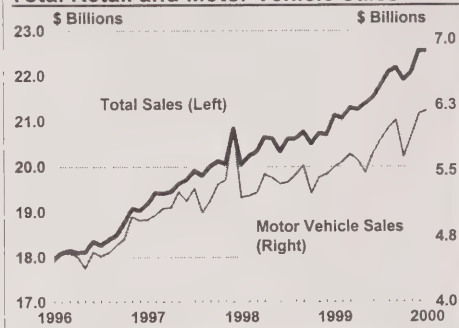
### Consumer spending remains strong in the fourth quarter...

- Real consumption rose 3.8% (annual rate) in the fourth quarter, slightly below the previous quarter's pace.
- Gains in consumer spending were led once again by durable goods. Sales were also boosted by Y2K celebrations and possible stockpiling in anticipation of Y2K-related disruptions.

### ...but slows early in the new year

- Retail sales in January were unchanged from December following a surge in the late months of 1999. The largest declines were in sales of food and alcoholic beverages, which were previously boosted by millennial festivities and Y2K stockpiling. Sales in the automotive sector also stalled in January, following a surge of activity in December.
- Offsetting these declines were gains in general merchandise, furniture and clothing stores.
- Despite the sluggish January results, high levels of consumer confidence and a strong rise in disposable income in the last half of 1999 bode well for increased consumer activity in the coming months.

### Total Retail and Motor Vehicle Sales



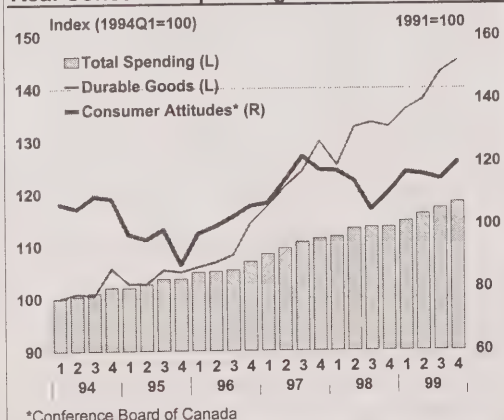
### Retail Sales and Consumer Credit

	January 2000	% Change since	
		last month	last year
	\$ millions		
Total Retail Sales (S.A.)	22,550	-0.0	6.7
Food	4,856	-4.0	0.1
Drug Stores	1,130	0.3	2.6
Clothing	1,242	2.7	6.1
Furniture	1,218	2.1	11.4
Automotive	9,067	0.0	12.2
General Merch. Stores	2,582	3.8	3.7
All other Stores	2,455	1.8	5.3
Total ex. motor vehicles	16,366	-0.2	5.0
Consumer Credit (unadjusted)	174,992	1.1	10.2

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)		1999 Q3	1999 Q4
	1998	1999		
Real Consumption (92\$)	485,906	501,227	503,948	508,636
% change	2.8	3.2	3.9	3.8
Durable Goods	66,801	71,628	72,896	74,036
% change	6.3	7.2	15.9	6.4
Semi-Durable Goods	46,526	47,806	48,212	48,056
% change	4.9	2.8	4.5	-1.3
Non-Durable Goods	119,521	121,761	121,860	122,900
% change	1.0	1.9	1.5	3.5
Services	253,058	260,032	260,980	263,644
% change	2.3	2.8	1.9	4.1
Disposable Income	552,778	572,101	575,448	582,692
% change	3.4	3.5	4.9	5.1
Saving Rate (%)	2.3	1.4	1.1	1.1
Debt-to-Income Ratio (%)	98.3	99.9	99.9	99.9

### Real Consumer Spending and Attitudes



\*Conference Board of Canada





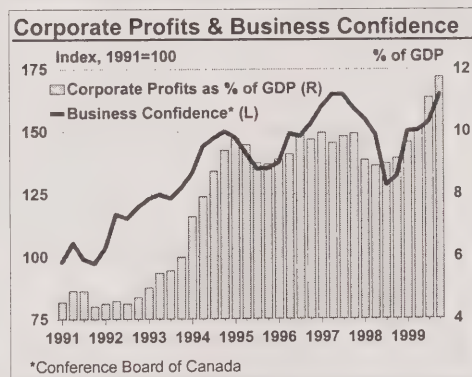
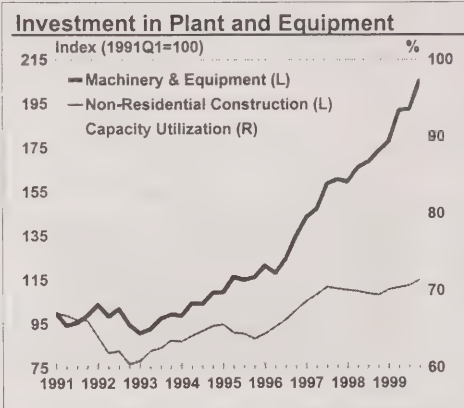


### Business investment rebounds in the fourth quarter...

- Growth in business investment soared by 17.9% (annual rate) in the fourth quarter, following a pause in the previous period. This advance was led primarily by a 29.1% surge in M&E spending, with notable investments in computers, transportation equipment and telecommunications equipment.
- Non-Residential Construction also picked up, rising 9.3% in the fourth quarter. Strong growth in engineering construction was partly offset by a slight decline in building construction.

### ...and available data point to further gains

- Several key indicators point to a strong investment outlook for 2000. Corporate operating profits rebounded strongly in 1999, contributing to a steady rise in business confidence over the course of the year. And, capacity utilization is at its highest rate in over ten years.
- Available data early in the new year are mainly positive. After a healthy increase in December, imports of M&E rose a further 1.2% in January. Construction activity in the non-residential building sector also strengthened in January.



## Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q1	1999 Q2	1999 Q3	1999 Q4
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	64,701	74,357	68,924	74,380	74,600	79,524
% change	9.5	14.9	10.1	35.6	1.2	29.1
Non-residential Construction (1992\$)	39,110	40,217	39,572	39,896	40,248	41,152
% change	0.1	2.8	9.4	3.3	3.6	9.3
Capacity Utilization (% , Non-farm goods)	83.3	84.8	83.3	83.5	85.5	86.8
Capacity Utilization (Mfg. sector)	83.8	85.7	84.0	84.2	86.7	87.8
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	132,032.0	158,142.0	144,828.0	149,124.0	162,940.0	175,676.0
% change	-9.6	19.8	20.7	12.4	42.5	35.1
Profits - Non-financial industries	82,442.0	114,266.0	99,548.0	104,300.0	121,592.0	131,624.0
% change	-9.2	38.6	45.8	20.5	84.7	37.3
Profits - Financial industries	49,590.0	43,876.0	45,280.0	44,824.0	41,348.0	44,052.0
% change	-10.1	-11.5	-18.0	-4.0	-27.6	28.8
Business Credit	686,621.0	716,816.0	708,232.3	709,495.3	720,157.3	729,379.0
% change	9.9	4.4	3.3	0.7	6.1	5.2





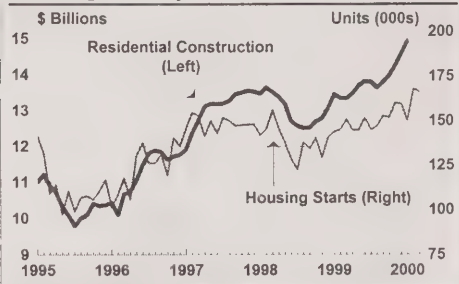
### The housing market picks up in the fourth quarter...

- Business investment in residential construction grew a strong 8.1% (annual rate) in the fourth quarter, more than twice as fast as in the previous quarter.
- Spending on alterations and improvements experienced the greatest surge, combining with strong gains in new housing construction to more than offset a decline in ownership and transfer costs.

### ...contributing to a positive outlook for 2000

- The outlook for the housing sector in 2000 appears bright, based on an upturn in consumer confidence and early indicators of housing activity.
- Sales of existing homes have risen sharply in the first two months of this year.
- With another solid increase in January, residential construction has now risen in every month since August, and is up 11.0% from last year.
- And, while new housing starts fell back slightly in March from a six-year high in February, they were nonetheless up 2.8% overall in the first quarter of 2000.
- Although mortgage rates remain fairly low, the potential for higher rates in the future could dampen housing demand.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	14,930	2.4%	11.0%
<b>Building Permits, \$M (2)</b>	1,699	-7.7%	13.8%
<b>Sales of Existing Homes (2)</b> (# of units)	19,583	550	
<b>Housing Starts, # of units (3)</b>	166,100	-1,900	15,500
Newfoundland	1,300	-900	-1,400
Prince Edward Island	700	200	600
Nova Scotia	4,500	900	2,200
New Brunswick	2,100	200	100
Quebec	21,800	0	4,200
Ontario	78,400	-1,600	15,800
Manitoba	1,600	800	-900
Saskatchewan	2,000	500	-700
Alberta	20,900	2,100	3,100
British Columbia	10,700	-4,100	-7,000

1 - January data; 2 - February data; 3 - March data.

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

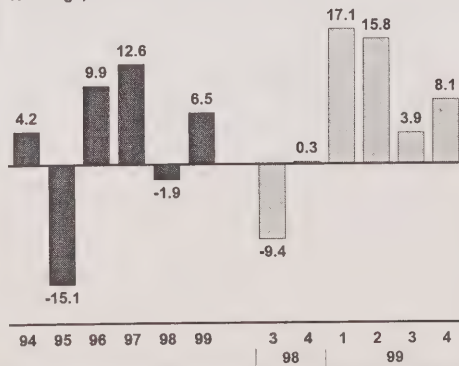
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q3	1999 Q4
<b>Residential Construction</b>	41,547	44,248	44,640	45,508
% change	-1.9	6.5	3.9	8.0
<b>Construction by Business sector</b>	41,422	44,116	44,508	45,384
% change	-1.9	6.5	3.9	8.1
<b>New Housing</b>	20,695	22,158	22,376	23,052
% change	-3.5	7.1	8.7	12.6
<b>Alterations &amp; Improvements</b>	13,645	14,415	14,216	14,904
% change	2.5	5.6	-4.9	20.8
<b>Ownership &amp; Transfer Costs</b>	7,207	7,316	8,048	7,552
% change	-5.1	1.5	7.7	-22.5

### Growth in Real Residential Construction

% change, SAAR







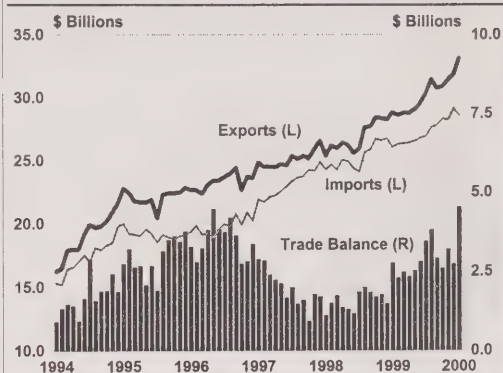
### Rising exports and falling imports...

- Exports surged 4.0% in January, building on an increase of 1.7% in the previous month. Almost half of this increase is attributable to a rise in auto exports, reflecting strong U.S. demand for Canadian-made models. Exports of M&E were also up, led by higher sales of computers and telecommunications equipment.
- Imports decreased 1.8% in January, with notable declines in the automotive sector, industrial products and energy products. Truck imports fell 13.5% as snowstorms and auto parts shortages slowed production and delivery of trucks to Canada. Imports of crude oil also dropped substantially as higher prices curbed energy demand. Higher imports of investment-related M&E partly offset those declines.

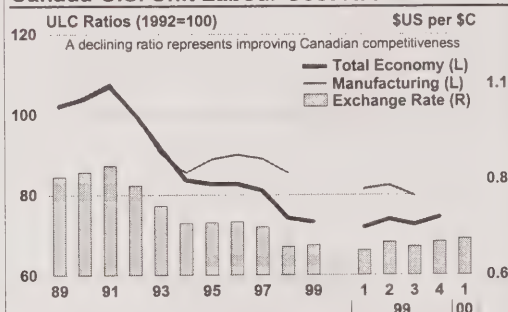
### ...push the trade surplus to a record high

- The combination of higher exports and lower imports boosted Canada's merchandise trade surplus to a record \$4.5 billion in January, surpassing the previous record set in 1996.

#### Merchandise Trade Flows and Balance



#### Canada-U.S. Unit Labour Cost Ratios



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

### Merchandise Trade

January 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	December 1999	January 2000	1998 Jan-Dec	1999 Jan-Dec	Dec 1999 to Jan 2000	Dec 1999 to Jan 2000	Dec 1999 to Jan 2000	Dec 1999 to Jan 2000
<b>Exports</b>	31,893	33,160	322,262	360,599	1,267	4.0	15.1	
to United States	27,287	28,482	269,496	309,665	1,195	4.4	15.7	
<b>Imports</b>	29,151	28,628	303,402	326,661	-523	-1.8	9.9	
from United States	21,877	21,588	233,635	249,174	-289	-1.3	6.0	
<b>Trade Balance</b>	2,742	4,532	18,860	33,938	1,790			
with United States	5,410	6,894	35,861	60,491	1,484			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,202	2,183	25,142	25,613	-19	-0.9	4.0	
Energy Products	3,030	3,303	23,902	30,310	273	9.0	82.1	
Forestry Products	3,432	3,530	35,172	38,902	98	2.9	13.6	
Industrial Goods & Materials	5,125	5,135	57,453	56,942	10	0.2	11.5	
Machinery & Equipment	7,385	7,793	78,823	84,960	408	5.5	13.0	
Automotive Products	8,286	8,777	77,417	96,143	491	5.9	10.0	
Other Consumer Goods	1,153	1,169	12,426	13,591	16	1.4	0.5	
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,499	1,525	17,262	17,637	26	1.7	-3.5	
Energy Products	1,192	1,047	8,679	10,647	-145	-12.2	73.1	
Forestry Products	237	248	2,499	2,741	11	4.6	17.5	
Industrial Goods & Materials	5,720	5,559	60,286	62,142	-161	-2.8	11.5	
Machinery & Equipment	9,462	9,575	101,303	108,231	113	1.2	10.9	
Automotive Products	6,620	6,446	66,762	75,902	-174	-2.6	4.6	
Other Consumer Goods	3,288	3,198	34,575	36,963	-90	-2.7	7.5	







### Employment growth remains strong in March...

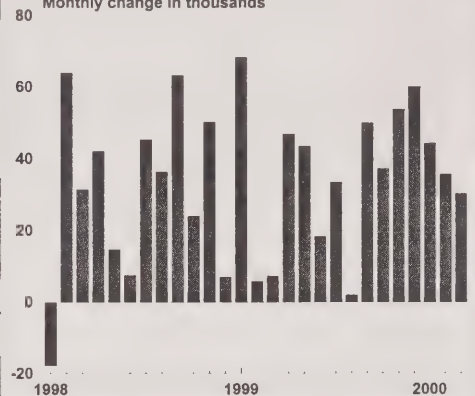
- Employment increased by 30,000 in March, the seventh straight month of solid gains. After posting a gain of 427,000 jobs in 1999, employment has risen 110,000 over the first three months of 2000.
- All of March's job gains were in full-time employment, continuing a trend established since the beginning of last year. Full-time employment is up 3.8% over the past year, and total hours worked is up 4.3%.

### ...but the unemployment rate remains unchanged at 6.8%

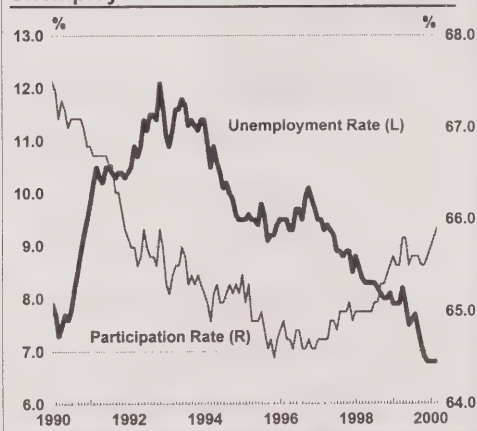
- Higher employment was matched by a similar rise in the labour force, leaving the national unemployment rate unchanged at 6.8% for the fourth straight month. The current unemployment rate is the lowest since April 1976.
- The adult unemployment rate held steady at 5.6% in March, and the unemployment rate for youth was also unchanged at 13.0%.

#### Employment

Monthly change in thousands



#### Unemployment Rate



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 March	2000 February	2000 March	last month	last year	year-to- date	last month	last year
Employment	14,401.9	14,827.5	14,857.8	30.3	455.9	110.3	0.2	3.2
Full-time	11,743.1	12,157.1	12,189.8	32.7	446.7	94.4	0.3	3.8
Part-time	2,658.7	2,670.4	2,668.0	-2.4	9.3	15.9	-0.1	0.3
Youth 15-24	2,191.7	2,259.5	2,265.4	5.9	73.7	11.3	0.3	3.4
Adult 25+	12,210.2	12,568.0	12,592.5	24.5	382.3	99.2	0.2	3.1
Self-employed	2,459.6	2,532.6	2,505.3	-27.3	45.7	-3.7	-1.1	1.9
Unemployment	1,232.7	1,079.5	1,086.3	6.8	-146.4	11.4	0.6	-11.9
Unemployment Rate	7.9	6.8	6.8	0.0	-1.1	0.0		
Youth 15-24	14.2	13.0	13.0	0.0	-1.2	-0.1		
Adult 25+	6.7	5.6	5.6	0.0	-1.1	0.0		
Labour Force	15,634.5	15,907.0	15,944.1	37.1	309.6	121.8	0.2	2.0
Participation Rate	65.5	65.8	65.9	0.1	0.4	0.3		
Employment Rate	60.3	61.4	61.4	0.0	1.1	0.2		





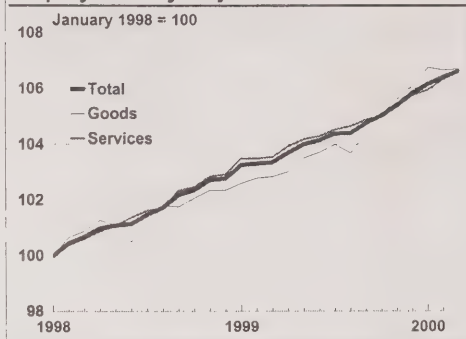
### Services lead job growth in March for the second straight month...

- Employment increased 29,000 in the Services sector in March. Solid gains in Management, Administrative & Other Support Services and Trade accounted for most of this gain.
- The level of employment in Goods-producing industries was virtually unchanged in March, the second consecutive lackluster performance following a period of very strong growth extending back to August. A modest gain in Manufacturing was largely offset by declines in the other major industry groups.

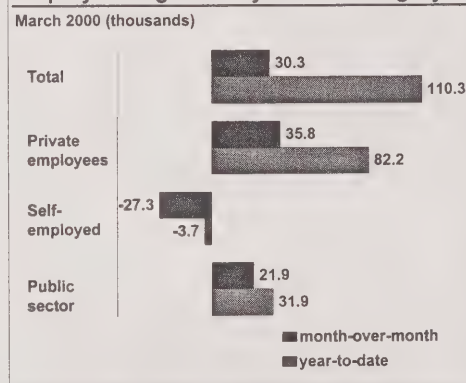
### ...as private and public sector employees post gains

- The number of paid employees in the private sector was up 36,000 in March. Though self-employment fell by 27,000, it remains higher on a year-over-year basis.
- Employment in the public sector increased by 22,000 in March, extending the strong recovery that has taken place over the past seven months (adding 88,000 jobs to the public payroll).

Employment by major sector



Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 March	2000 February	2000 March	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,746.8	3,886.1	3,887.4	1.3	140.6	22.1	0.0	3.8
Agriculture	416.4	400.2	397.8	-2.4	-18.6	-1.3	-0.6	-4.5
Other Primary*	267.8	278.0	277.1	-0.9	9.3	1.8	-0.3	3.5
Utilities	116.2	116.9	114.3	-2.6	-1.9	-1.1	-2.2	-1.6
Construction	765.6	825.6	824.3	-1.3	58.7	16.9	-0.2	7.7
Manufacturing	2,180.9	2,265.3	2,273.8	8.5	92.9	5.6	0.4	4.3
<b>Services-producing</b>	10,655.1	10,941.4	10,970.4	29.0	315.3	88.2	0.3	3.0
Trade	2,235.2	2,292.4	2,307.1	14.7	71.9	35.4	0.6	3.2
Transportation	731.7	784.2	782.0	-2.2	50.3	17.8	-0.3	6.9
FIRE*	859.2	861.1	863.7	2.6	4.5	-1.6	0.3	0.5
Professional/Scientific	899.2	909.4	912.9	3.5	13.7	-13.6	0.4	1.5
Management/Administrative	491.5	512.7	528.3	15.6	36.8	10.8	3.0	7.5
Educational Services	967.4	995.9	994.6	-1.3	27.2	-7.1	-0.1	2.8
Health Care/Social Assistance	1,415.4	1,518.4	1,517.7	-0.7	102.3	45.8	-0.0	7.2
Information/Culture/Recreation	622.1	635.3	638.1	2.8	16.0	1.9	0.4	2.6
Accommodation & Food	917.3	965.8	963.9	-1.9	46.6	13.3	-0.2	5.1
Other Services	734.0	701.2	690.4	-10.8	-43.6	-18.5	-1.5	-5.9
Public Administration	782.0	765.2	771.6	6.4	-10.4	3.8	0.8	-1.3

\*Other Primary: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.





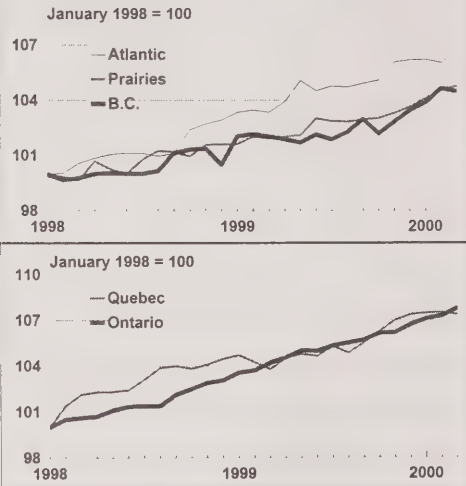
Ontario and Nova Scotia account for most of the national job gain...

- Although 8 of 10 provinces recorded higher employment in March, job gains were led by Ontario (+28,000) and Nova Scotia (+4,000).
- In percentage terms, job growth was also strong in PEI and Newfoundland. Employment edged lower in Quebec and British Columbia, and all remaining provinces registered modest increases on the month.

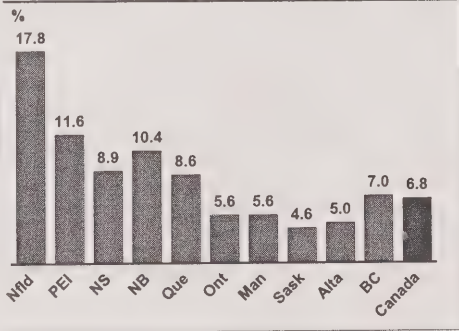
...and were the only provinces to record lower unemployment rates

- Strong job gains lowered the Nova Scotia unemployment rate 0.8 percentage points to 8.9%, its lowest rate since 1989. Ontario's unemployment rate edged down 0.1 percentage points to 5.6%.
- The unemployment rate was unchanged in Saskatchewan (4.6%) and British Columbia (7.0%).
- Unemployment rates were higher in all other provinces, with labour force growth outpacing modest job gains. The exception was in Quebec, where lower employment and a higher labour force pushed up the unemployment rate 0.3 points to 8.6%.

Regional employment patterns



Unemployment Rates -- March 2000



Provincial Employment and Unemployment Trends

	Employment (thousands)				Unemployment rate (%)		
	Levels	Change since		Change since		Levels	Change since
	2000 March	last month (000's)	%	last year (000's)	%	last month	last year
Canada	14,857.8	30.3	0.2	455.9	3.2	6.8	0.0 -1.1
Newfoundland	205.3	1.7	0.8	6.7	3.4	17.8	0.2 -0.3
P.E.I.	65.5	0.7	1.1	5.3	8.8	11.6	0.1 -4.1
Nova Scotia	420.9	3.9	0.9	17.5	4.3	8.9	-0.8 -1.4
New Brunswick	331.4	0.1	0.0	2.5	0.8	10.4	0.7 -0.3
Quebec	3,425.2	-5.4	-0.2	114.4	3.5	8.6	0.3 -1.1
Ontario	5,832.3	28.1	0.5	193.7	3.4	5.6	-0.1 -1.0
Manitoba	550.6	1.0	0.2	9.5	1.8	5.6	0.3 0.1
Saskatchewan	491.2	1.0	0.2	14.6	3.1	4.6	0.0 -1.8
Alberta	1,588.3	2.5	0.2	46.6	3.0	5.0	0.1 -0.9
B.C.	1,947.1	-3.3	-0.2	45.2	2.4	7.0	0.0 -1.6







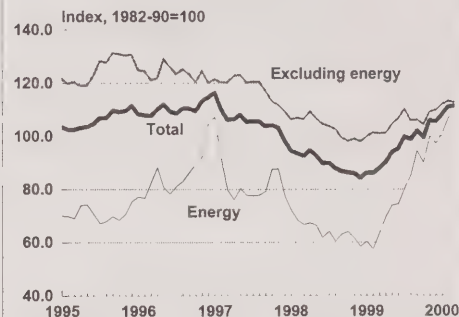
### Though inflation rises in March...

- Consumer prices were up 2.7% in February on a year-over-year basis, the biggest increase since June 1995. Higher energy prices, up 19.4% compared to a year ago, continue to push up the "headline" inflation rate.
- Prices rose 0.5% in February on a monthly basis, spurred by increased costs for fuel oil and gasoline. Higher prices for travel services and air transportation also contributed to the monthly rise in prices. Lower prices for fresh vegetables and fruits partly offset these increases.

### ...the "core" rate stays well within the official target range

- Excluding energy, food and indirect taxes, the "core" rate of inflation was 1.6% in February, remaining in the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices increased 26.6% in March on a year-over-year basis. Higher prices for energy-related commodities – up over 70% compared to last March – accounted for much of this increase, but prices for non-energy commodities also advanced strongly.

### Commodity Prices (\$U.S. basis)



### Consumer Prices

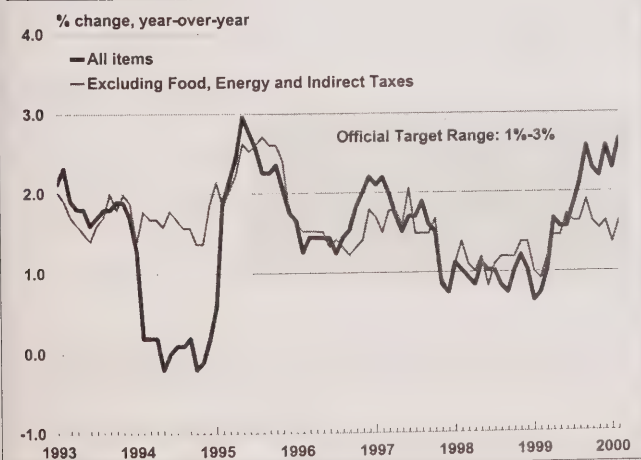
February 2000

	Index (1992=100)	% Change since last month	% Change since last year
All items CPI	112.0	0.5	2.7
Food	110.6	-0.2	0.1
Shelter	107.4	0.7	2.8
Household operations	109.3	0.6	0.7
Clothing & Footwear	105.3	1.0	0.9
Transportation	128.5	0.9	7.2
Health & Personal Care	111.1	0.1	1.7
Recreation, Educ. & Reading	119.9	1.2	2.7
Alcohol & Tobacco	96.4	0.2	2.9
Excl. Food/Energy/Indirect Taxes	112.6	0.5	1.6
Energy	122.1	3.0	19.4

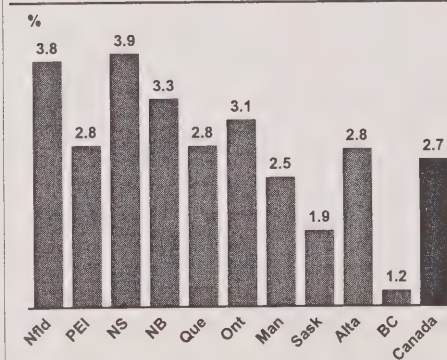
### Commodity Prices (March)

Index, 1982-90=100	111.4	0.3	26.6
Excluding Energy	112.8	-0.4	11.6
Energy	108.8	1.6	71.1

### Consumer Price Index



### Provincial CPI Inflation -- February 2000







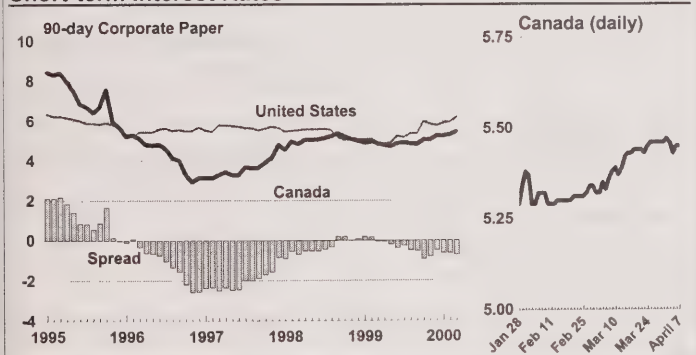
### *The Bank of Canada raises its key interest rate in March...*

- The Bank of Canada raised its trendsetting Bank Rate by 25 basis points to 5.5% on March 22, the second rate hike in just under two months. The Bank's most recent move, aimed at keeping inflation within the official 1%-3% target range, follows a similar rise in U.S. rates.
- The increase in the Bank Rate triggered a corresponding rise in the Prime Lending Rate, which serves as a benchmark for many consumer lending rates. Indeed, in anticipation of the Bank of Canada's widely-expected announcement, short-term interest rates trended up throughout March, closing out the month 15 basis points higher than February's close.
- As U.S. rates rose more rapidly than Canadian rates, the gap between Canadian and U.S. short term interest rates widened to 72 basis points in Canada's favour by the end of March.

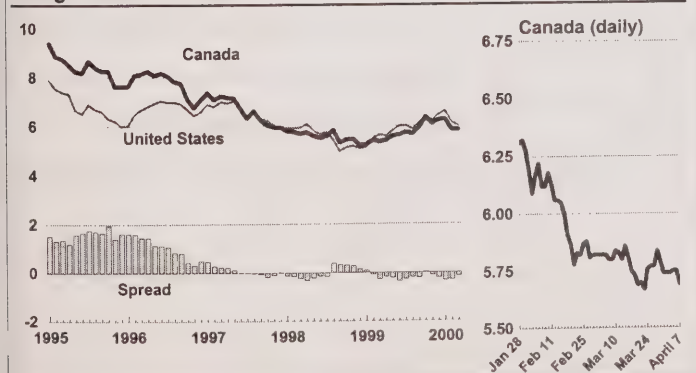
### *...but long-term bond yields remain flat*

- Except for a small dip in the middle of the month, long term bond yields were generally flat throughout March, closing out the month virtually unchanged from February's close at 5.84%. However, as U.S. long rates dipped slightly over this period, the gap between Canadian and U.S. long bond yields narrowed to 15 basis points.

#### Short-term Interest Rates



#### Long-term Bond Yields



#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Oct 1999	5.05	-0.93	6.36	0.03
Nov	5.05	-0.80	6.10	-0.12
Dec	5.27	-0.49	6.23	-0.22
Jan 2000	5.25	-0.64	6.27	-0.33
Feb	5.31	-0.64	5.83	-0.31
March	5.46	-0.72	5.84	-0.15
April 5	5.43	-0.74	5.75	-0.06

A positive spread indicates that Canadian rates are above their U.S. counterparts.

#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Oct 1999	4.75	6.25	7.35	8.25
Nov	5.00	6.50	7.35	8.25
Dec	5.00	6.50	7.35	8.25
Jan 2000	5.00	6.50	7.60	8.55
Feb	5.25	6.75	7.60	8.55
March	5.50	7.00	7.70	8.35
April 5	5.50	7.00	7.70	8.35



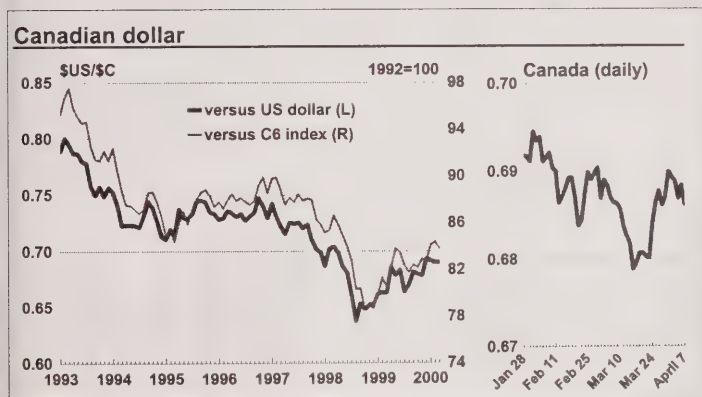


### *The TSE 300 hits 10,000 late in March, but quickly falls back...*

- The TSE 300 index soared over the first half of March, rising above 10,000 for the first time ever on March 24. However, Canadian stock prices erased most of these gains soon thereafter due to a steep sell-off in high-tech stocks. The TSE 300 ended March just above 9,400, representing a gain of 3.7% over the February close. The late-month sell-off extended over into early April, but some of the losses were recouped by April 7.
- The U.S. S&P500 and Dow Jones Industrial Average rebounded from weakness early in the year, advancing 9.7% and 7.8% respectively in March. These indices benefited from the extreme volatility of high-tech stock prices, which prompted a significant return to more traditional blue-chip stocks. This pattern intensified early in April, with the technology-dominated Nasdaq falling sharply and blue chip stocks holding firm.

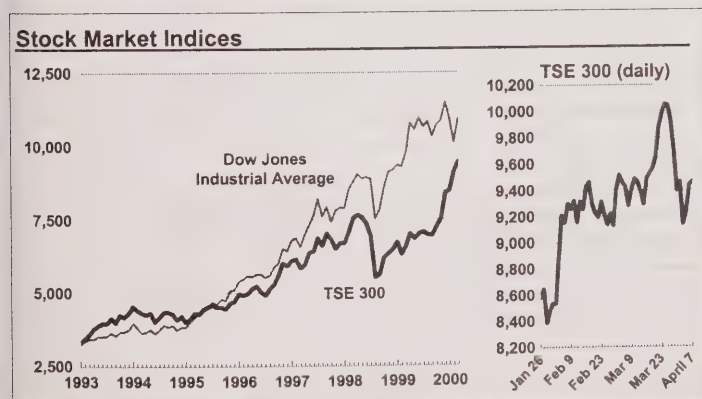
### *...as the dollar recovers from weakness early in the month*

- The Canadian dollar declined over much of the month, edging down one full cent to \$US 0.6789 on March 16, its lowest level in four months. The dollar subsequently recovered most of this fall, closing out March at virtually the same level as February's close.



### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Oct 1999	0.6797	82.22	1.237	71.71
Nov	0.6782	82.96	1.291	71.29
Dec	0.6929	82.67	1.313	69.66
Jan 2000	0.6918	84.15	1.333	72.77
Feb	0.6898	84.39	1.370	75.43
March	0.6899	83.84	1.388	72.77
April 7	0.6862			



### Key Stock Market Indexes

		% change from	
	March Close	last month	last year
TSE 300	9,462	3.7	43.4
Oil & Gas	6,216	13.1	24.8
Metals & Minerals	3,546	1.6	13.0
Utilities	16,567	11.5	109.1
Paper & Forest	5,269	2.1	36.2
Merchandising	4,464	-1.2	-20.5
Financial Services	7,565	7.3	-7.7
Gold	3,964	-6.1	-23.6
Price-Earnings Ratio*	33.1	0.8	7.2
S&P 500	1,499	9.7	16.5
Dow Jones	10,922	7.8	11.6

\*columns 2 & 3 reflect change in levels







### *The Federal Reserve boosts interest rates...*

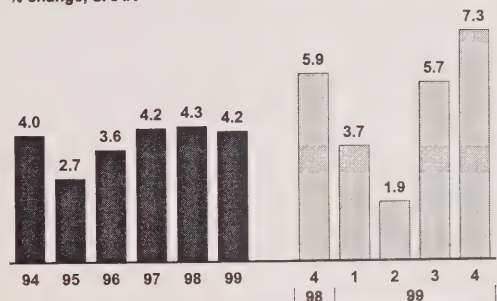
- As expected, the Federal Reserve Board raised its key federal funds rate by a quarter point to 6% on March 21. The strong pace of economic growth prompted the Fed to raise rates for the fifth time in nine months to prevent the emergence of inflationary pressures.
- Although measured inflation is rising, much of this is due to higher energy prices. Consumer prices were up 0.5% in February (3.2% year-over-year), but only 0.2% excluding food and energy.

### *...as the US economy continues to expand at a fast pace*

- Final estimates indicate that real GDP increased 7.3% (annual rate) in the fourth quarter of 1999, the strongest quarterly growth rate in almost 16 years. Stronger consumer spending, inventory investment and exports were the main contributors to this robust performance. Overall in 1999, the U.S. economy grew by 4.2%, the third straight year in which growth exceeded 4%.
- U.S. employment rose 416,000 in March, following an increase of only 7,000 in February. This larger-than-expected gain reflects in part an unusual five weeks between survey periods, and was led by Business Services, Government (due to the hiring of temporary census workers), and a weather-related rebound in Construction. Despite the solid rise in employment, the unemployment rate was unchanged at 4.1%.
- After narrowing in December, the U.S. trade deficit soared to a record \$28 billion in January. This increase was fuelled by higher imports (+1.7%) and lower exports (-1.8%).

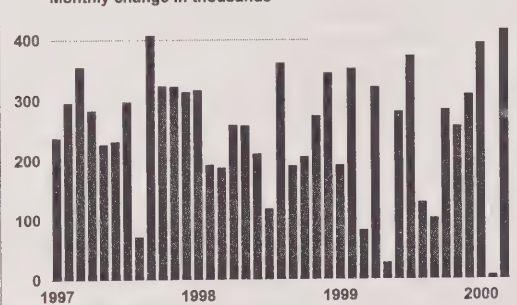
#### U.S. Real GDP Growth

% change, SAAR



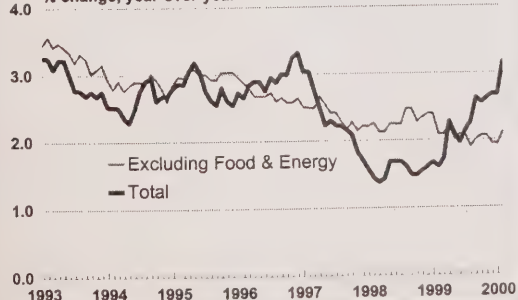
#### U.S. Non-farm Payrolls

Monthly change in thousands

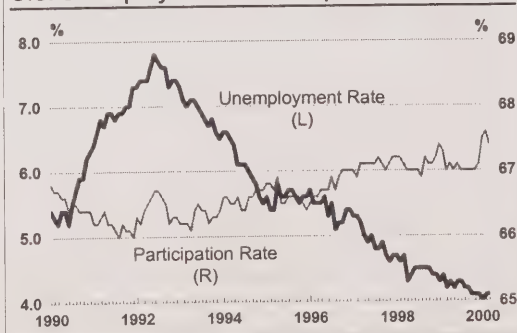


#### U.S. Consumer Price Inflation

% change, year-over-year



#### U.S. Unemployment & Participation Rates





**CANADA**

Consumer Price Index – March .....	April 17
Survey of Manufacturing – February .....	April 18
International Trade – February .....	April 19
GDP at factor cost – February .....	April 28
Business Conditions Survey – April .....	May 2
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**UNITED STATES**

Consumer Price Index – March .....	April 14
International Trade – February .....	April 19
GDP – 1st Quarter 2000, Advance .....	April 27
Employment Situation – April .....	May 5
Federal Open Market Committee meeting .....	May 16

Note: the April MEI uses data available as of April 7, 2000



# MONTHLY ECONOMIC INDICATORS

## May 2000

### HIGHLIGHTS

- ✶ *Though job growth stalls in April, the national unemployment rate holds steady at 6.8%.*
- ✶ *Declining auto production leads to lower output in February, the first drop in nineteen months.*
- ✶ *Canada's trade surplus edges down in February from a record high in the previous month.*
- ✶ *Surging energy prices push up measured inflation, but have not yet spilled over into other areas of the economy.*
- ✶ *Interest rates trend up in anticipation of a rate hike by the Bank of Canada.*

### Key Monthly Economic Indicators

		% Change since	
		last month	last year
Real GDP (\$92 B)	766.8	-0.4	3.8 Feb.
Goods	257.4	-1.1	5.6 Feb.
Services	509.4	0.0	3.0 Feb.
Composite Index	160.1	1.1	7.9 Mar.
Employment (000's)	14,863	0.0	2.9 Apr.
Full-time	12,161	-0.2	3.1 Apr.
Part-time	2,702	1.3	1.9 Apr.
Unemployment* (%)	6.8	6.8	8.2 Apr.
Youth*	12.9	13.0	15.3 Apr.
Adult*	5.6	5.6	6.7 Apr.
CPI inflation*	3.0	2.7	1.0 Mar.
Retail Sales (\$M)	22,273	-1.1	4.9 Feb.
Housing Starts (000's)	158.3	-5.4	9.5 Apr.
Trade Balance* (\$M)	3,962	4,503	2,295 Feb.
Exports	32,317	-2.6	12.9 Feb.
Imports	28,355	-1.2	7.7 Feb.
M&E	9,255	-3.3	2.2 Feb.
3-mth Corp. paper* (%)	5.71	5.46	4.80 May 3
Long bond yield* (%)	5.87	5.84	5.41 May 3
Canadian dollar* (US¢)	67.12	67.56	68.63 May 5

\*Data in levels only – % change not reported.

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).







# **MONTHLY ECONOMIC INDICATORS**

## **May 2000**

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This report uses data available as of May 5, 2000. It has been prepared by Marianne Blais, Julie Dubois, Joe Macaluso, Alison McDermott and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).



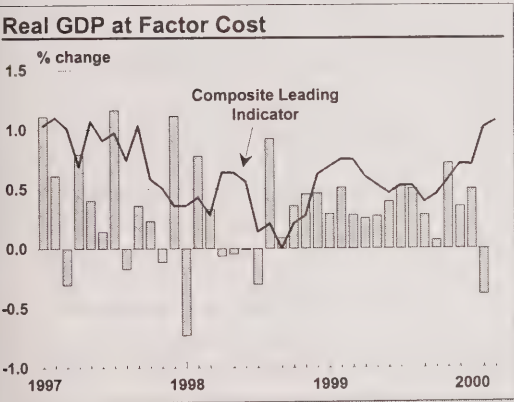


Economic activity slows in February...

- Real GDP at factor cost fell 0.4% in February, ending a record string of consecutive advances at 18 months. A broad-based decline in manufacturing output was the main factor behind the slowdown, which came on the heels of three months of strong growth.

...led by a drop in auto production

- Goods production fell 1.1% in February, with a decrease in Manufacturing output accounting for nearly all of the monthly shortfall. Lower auto production was chiefly responsible for this decline, although output in several other manufacturing categories also receded. Elsewhere in the goods sector, a decline in Construction activity was balanced by advances in Utilities output, which received a boost from colder-than-usual temperatures. Mining output advanced for the fourth consecutive month, on the strength of natural gas production and metal mining.
- Output in Services industries was little changed in February, as a surge in stock market-related activity in the financial sector helped offset declines in other sectors. Apart from the financial sector, Business Services recorded a sizeable advance, helped by strong gains at computer consulting and architectural, engineering and scientific firms. The largest setback occurred in Wholesale and Retail Trade, both held back by a slowdown in auto sales.



Real GDP at Factor Cost (1992 dollars)				
February 2000				
	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	766,805	-2,975	-0.4	3.8
Business sector	637,164	-3,088	-0.5	4.5
Goods	257,409	-2,820	-1.1	5.6
Agriculture	13,581	-44	-0.3	2.5
Fishing & Trapping	774	-18	-2.3	-3.7
Logging & Forestry	4,550	-146	-3.1	3.3
Mining*	28,262	95	0.3	6.8
Manufacturing	139,554	-2,704	-1.9	4.7
Construction	43,836	-327	-0.7	7.2
Other Utilities	26,852	324	1.2	8.7
Services	509,396	-155	-0.0	3.0
Transport & Storage	35,777	85	0.2	3.9
Communications	27,884	70	0.3	6.8
Wholesale Trade	45,970	-602	-1.3	1.5
Retail Trade	47,431	-766	-1.6	3.3
Finance & Insurance	43,298	604	1.4	7.4
Real Estate & Ins. Agent	80,311	107	0.1	2.2
Business services	45,612	301	0.7	8.0
Government services	46,016	110	0.2	2.2
Education	40,510	22	0.1	0.3
Health & Social Services	47,088	-78	-0.2	-0.4
Accommodation & Food	19,522	37	0.2	-0.8
Other	29,977	-45	-0.1	1.6

\*Includes Quarrying and Crude Petroleum & Natural Gas





Consumer Spending and Attitudes

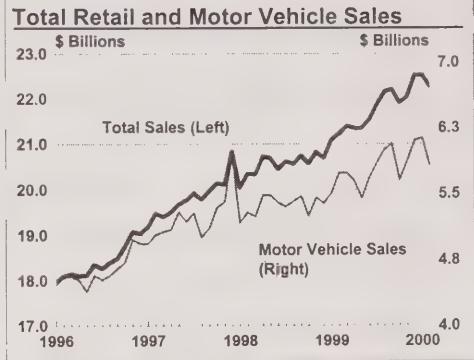


Consumer spending remains strong in the fourth quarter...

- Real consumption rose 3.8% (annual rate) in the fourth quarter, just slightly below the previous quarter's pace.
- Gains in consumer spending were led once again by durable goods. Sales were also boosted by Y2K celebrations and possible stockpiling in anticipation of Y2K-related disruptions.

...but slows in the new year

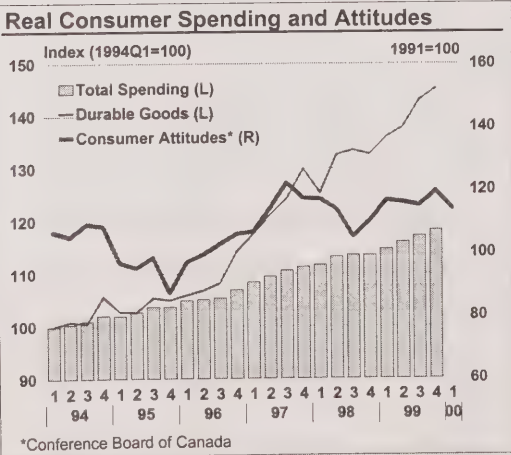
- Retail sales declined by 1.1% in February after remaining unchanged from December to January. Sales were down in all trade groups but Food, which resumed an upward trend following the unusual Y2K-related sales patterns (high sales in December followed by a contraction in January).
- The automotive sector recorded the largest drop in retail sales. Other notable setbacks were in the general merchandise, furniture and clothing categories.
- Despite the second month of sluggish results, levels of consumer confidence remain high. Moreover, early indicators of auto sales for March are positive, and retail sales are generally trending higher, up 4.9% on a year-over-year basis in February.



Retail Sales and Consumer Credit			
February 2000	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	22,273	-1.1	4.9
Food	4,949	1.8	2.2
Drug Stores	1,109	-1.1	-0.4
Clothing	1,220	-1.3	2.5
Furniture	1,207	-1.3	10.4
Automotive	8,853	-2.5	7.3
General Merch. Stores	2,550	-1.5	4.8
All other Stores	2,387	-1.2	3.4
Total ex. motor vehicles	16,455	0.4	6.2
Consumer Credit (unadjusted)	179,877	1.4	12.7

Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)	1998		1999	
	1998	1999	1999 Q3	1999 Q4
Real Consumption (92\$)	485,906	501,227	503,948	508,636
% change	2.8	3.2	3.9	3.8
Durable Goods	66,801	71,628	72,896	74,036
% change	6.3	7.2	15.9	6.4
Semi-Durable Goods	46,526	47,806	48,212	48,056
% change	4.9	2.8	4.5	-1.3
Non-Durable Goods	119,521	121,761	121,860	122,900
% change	1.0	1.9	1.5	3.5
Services	253,058	260,032	260,980	263,644
% change	2.3	2.8	1.9	4.1
Disposable Income	552,778	572,101	575,448	582,692
% change	3.4	3.5	4.9	5.1
Saving Rate (%)	2.3	1.4	1.1	1.1
Debt-to-Income Ratio (%)	98.3	99.9	99.9	99.9









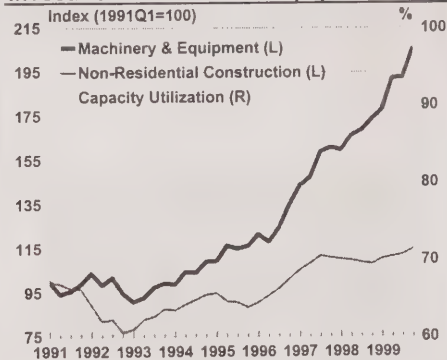
### Business investment rebounds in the fourth quarter...

- Business investment soared 17.9% (annual rate) in the fourth quarter, following a pause in the previous period. This advance was led primarily by a 29.1% surge in M&E spending, with notable investments in computers, transportation equipment and telecommunications equipment.
- Non-Residential Construction also picked up, rising 9.3% in the fourth quarter. Strong growth in engineering construction was partly offset by a slight decline in building construction.

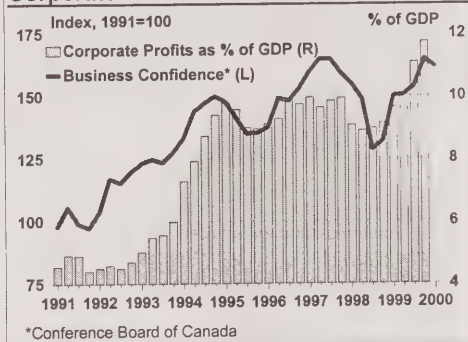
### ...and further gains appear likely

- Several key indicators point to a strong investment outlook for 2000. Corporate operating profits rebounded strongly in 1999, contributing to a steady rise in business confidence over the course of the year. And, capacity utilization is at its highest rate in over ten years.
- Available data for the first quarter are mainly positive. Non-residential Construction activity in January and February was 2.6% higher than the fourth quarter average. And while imports of M&E dropped in February, this follows healthy increases in the previous two months.

Investment in Plant and Equipment



Corporate Profits & Business Confidence



\*Conference Board of Canada

### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q1	1999 Q2	1999 Q3	1999 Q4
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	64,701	74,357	68,924	74,380	74,600	79,524
% change	9.5	14.9	10.1	35.6	1.2	29.1
Non-residential Construction (1992\$)	39,110	40,217	39,572	39,896	40,248	41,152
% change	0.1	2.8	9.4	3.3	3.6	9.3
Capacity Utilization (% Non-farm goods)	83.3	84.8	83.3	83.5	85.5	86.8
Capacity Utilization (Mfg. sector)	83.8	85.7	84.0	84.2	86.7	87.8
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	132,032.0	158,142.0	144,828.0	149,124.0	162,940.0	175,676.0
% change	-9.6	19.8	20.7	12.4	42.5	35.1
Profits - Non-financial industries	82,442.0	114,266.0	99,548.0	104,300.0	121,592.0	131,624.0
% change	-9.2	38.6	45.8	20.5	84.7	37.3
Profits - Financial industries	49,590.0	43,876.0	45,280.0	44,824.0	41,348.0	44,052.0
% change	-10.1	-11.5	-18.0	-4.0	-27.6	28.8
Business Credit	686,621.0	716,816.0	708,232.3	709,495.3	720,157.3	729,379.0
% change	9.9	4.4	3.3	0.7	6.1	5.2





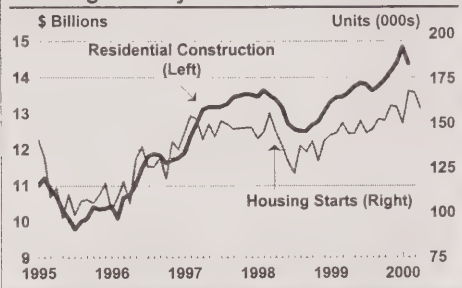
### *The housing market picks up in the fourth quarter...*

- Business investment in residential construction grew a strong 8.1% (annual rate) in the fourth quarter, more than twice as fast as in the previous quarter.
- Spending on alterations and improvements experienced the greatest surge, combining with strong gains in new housing construction to more than offset a decline in ownership and transfer costs.

### *...and holds its strength in 2000*

- The outlook for the housing sector in 2000 remains bright, despite expectations of further mortgage rate hikes.
- Residential building permits rose 11.1% in March, rebounding from two straight monthly declines. In addition, despite a setback in February, the average level of activity in Residential Construction for January and February is 3.2% higher than in the fourth quarter.
- Sales of existing homes remain strong, having risen sharply in the first three months of the year. Housing starts fell back slightly in April after rising 4.8% in the first quarter of 2000.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	14,384	-3.0%	7.0%
<b>Building Permits, \$M (2)</b>	1,853	11.1%	10.9%
<b>Sales of Existing Homes (2)</b> (# of units)	21,018	1,189	
<b>Housing Starts, # of units (3)</b>	158,300	-9,000	13,700
Newfoundland	1,400	100	0
Prince Edward Island	200	-400	-100
Nova Scotia	3,000	-1,500	-900
New Brunswick	1,900	-200	400
Quebec	19,400	-2,400	-200
Ontario	70,500	-7,900	9,500
Manitoba	1,800	200	-800
Saskatchewan	1,600	-400	-700
Alberta	21,300	400	4,000
British Columbia	13,900	3,200	2,000

1 - February data; 2 - March data; 3 - April data.

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

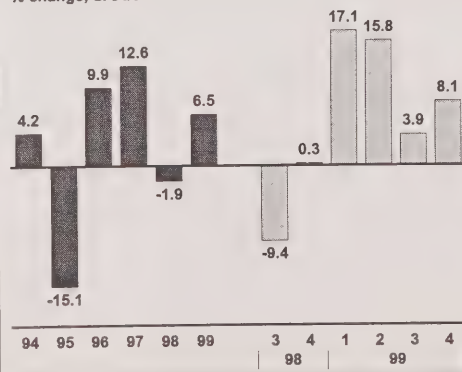
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q3	1999 Q4
<b>Residential Construction</b>	41,547	44,248	44,640	45,508
% change	-1.9	6.5	3.9	8.0
<b>Construction by Business sector</b>	41,422	44,116	44,508	45,384
% change	-1.9	6.5	3.9	8.1
<b>New Housing</b>	20,695	22,158	22,376	23,052
% change	-3.5	7.1	8.7	12.6
<b>Alterations &amp; Improvements</b>	13,645	14,415	14,216	14,904
% change	2.5	5.6	-4.9	20.8
<b>Ownership &amp; Transfer Costs</b>	7,207	7,316	8,048	7,552
% change	-5.1	1.5	7.7	-22.5

### Growth in Real Residential Construction

% change, SAAR







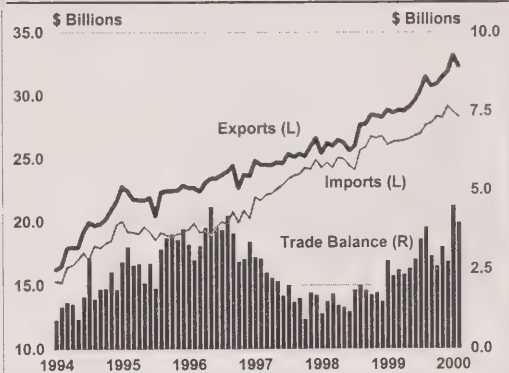
### Trade activity declines in February...

- Exports dropped 2.6% in February, partly offsetting a sharp gain in the previous month. Most of this fall can be traced to lower exports of Automotive Products, which fell by 14.1%. A slowdown in auto production was chiefly to blame, as U.S. demand for Canadian-made models remains strong. Rising crude oil prices drove up exports of Energy Products for the fourth straight month.
- Imports were down 1.2% in February, the second drop in as many months. Imports of M&E fell 3.3%, driven by lower imports of telephone and telecommunications equipment and compressors. Imports of Energy Products were boosted by higher oil prices and large volumes of kerosene imports.

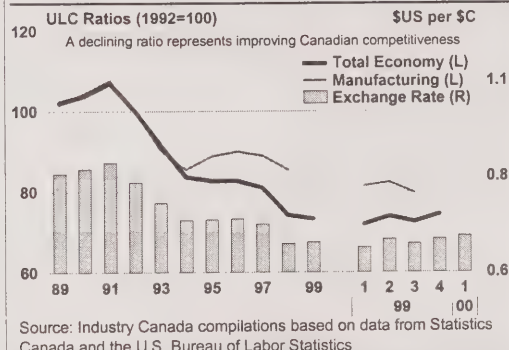
### ...but Canada's trade surplus remains high

- As the fall in exports exceeded the drop in imports, Canada's merchandise trade surplus fell to \$4.0 billion in February. Although down from January's record level of \$4.5 billion, this still remains the second highest surplus seen since 1996.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



### Merchandise Trade

	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	January 2000	February 2000	1999 Jan-Feb	2000 Jan-Feb	Jan to Feb 2000	Jan to Feb 2000	Jan to Feb 1999	Feb 1999 to Feb 2000
<b>Exports</b>	<b>33,191</b>	<b>32,317</b>	<b>57,439</b>	<b>65,508</b>	<b>-874</b>	<b>-2.6</b>		<b>12.9</b>
to United States	28,504	27,471	48,919	55,975	-1,033	-3.6		13.0
<b>Imports</b>	<b>28,688</b>	<b>28,355</b>	<b>52,372</b>	<b>57,043</b>	<b>-333</b>	<b>-1.2</b>		<b>7.7</b>
from United States	21,568	21,291	40,531	42,859	-277	-1.3		5.6
<b>Trade Balance</b>	<b>4,503</b>	<b>3,962</b>	<b>5,067</b>	<b>8,465</b>	<b>-541</b>			
with United States	6,936	6,180	8,388	13,116	-756			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,201	2,139	4,224	4,340	-62	-2.8		0.7
Energy Products	3,311	3,761	3,593	7,072	450	13.6		111.4
Forestry Products	3,567	3,416	6,196	6,983	-151	-4.2		10.6
Industrial Goods & Materials	5,081	5,187	9,338	10,268	106	2.1		9.6
Machinery & Equipment	7,750	7,775	13,633	15,525	25	0.3		15.5
Automotive Products	8,878	7,626	15,898	16,504	-1,252	-14.1		-3.7
Other Consumer Goods	1,163	1,166	2,291	2,329	3	0.3		3.4
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,518	1,487	2,902	3,005	-31	-2.0		4.1
Energy Products	1,182	1,332	1,252	2,514	150	12.7		105.9
Forestry Products	246	237	432	483	-9	-3.7		7.2
Industrial Goods & Materials	5,530	5,564	9,930	11,094	34	0.6		12.5
Machinery & Equipment	9,570	9,255	17,686	18,825	-315	-3.3		2.2
Automotive Products	6,410	6,336	12,205	12,746	-74	-1.2		4.9
Other Consumer Goods	3,187	3,099	5,991	6,286	-88	-2.8		2.7







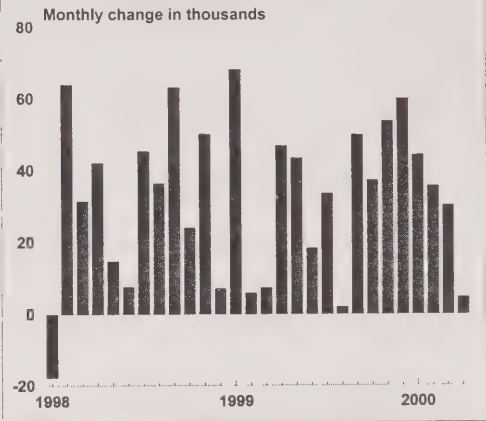
Employment growth slows in April...

- Employment edged up by only 5,000 in April, a considerable slowdown in job creation following average gains of 45,000 in the previous seven months.
- In a reversal of recent trends, all of April's job gains were in part-time employment (+34,000), with the number of full-time positions falling 29,000. Still, full-time employment has increased at a faster pace than part-time work over the past 12 months (3.1% versus 1.9%). Total hours worked is up 2.9% over this same period.

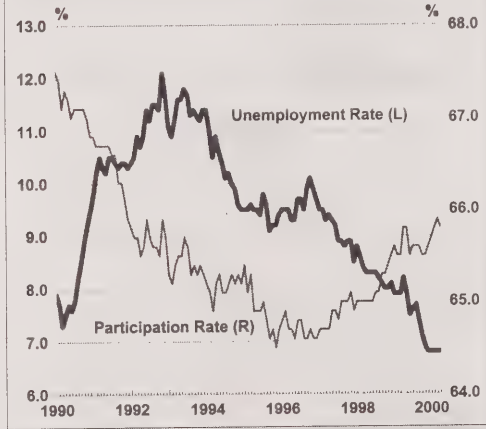
...but the unemployment rate holds steady at 6.8%

- Although employment growth stalled in April, a slight drop in the labour force helped keep Canada's unemployment rate unchanged at 6.8% for the fifth straight month. The national unemployment rate is the lowest since April 1976.
- The adult unemployment rate held steady at 5.6% in April. Modest job gains lowered the unemployment rate for youth by 0.1 percentage points to 12.9% on the month.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 April	2000 March	2000 April	last month	last year	year-to-date	last month	last year
Employment	14,448.8	14,857.8	14,862.6	4.8	413.8	115.1	0.0	2.9
Full-time	11,796.9	12,189.8	12,160.9	-28.9	364.0	65.5	-0.2	3.1
Part-time	2,651.9	2,668.0	2,701.7	33.7	49.8	49.6	1.3	1.9
Youth 15-24	2,188.6	2,265.4	2,272.4	7.0	83.8	18.3	0.3	3.8
Adult 25+	12,260.2	12,592.5	12,590.2	-2.3	330.0	96.9	-0.0	2.7
Self-employed	2,471.0	2,505.3	2,408.1	-97.2	-62.9	-100.9	-3.9	-2.5
Unemployment	1,282.2	1,086.3	1,079.3	-7.0	-202.9	4.4	-0.6	-15.8
Unemployment Rate	8.2	6.8	6.8	0.0	-1.4	0.0		
Youth 15-24	15.3	13.0	12.9	-0.1	-2.4	-0.2		
Adult 25+	6.7	5.6	5.6	0.0	-1.1	0.0		
Labour Force	15,731.0	15,944.1	15,941.9	-2.2	210.9	119.6	-0.0	1.3
Participation Rate	65.8	65.9	65.8	-0.1	0.0	0.2		
Employment Rate	60.5	61.4	61.4	0.0	0.9	0.2		





# LABOUR MARKET TRENDS

## Industry Overview

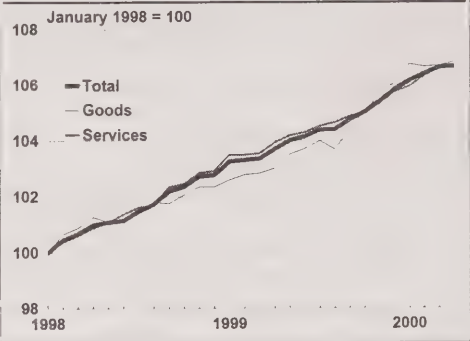
### Job growth is weak in both the Goods and Services sector...

- Employment edged up by 5,000 in the Goods sector in April. Modest gains in Manufacturing and Natural Resource-based industries were largely offset by losses in Agriculture and Construction.
- Employment was flat in the Services sector. Health Care & Social Assistance posted a notable advance, bringing gains over the past 12 months to 99,000 (one-third of these in hospitals). Although job losses were registered in Trade and Educational Services, employment in both these industries is up strongly on a year-over-year basis.

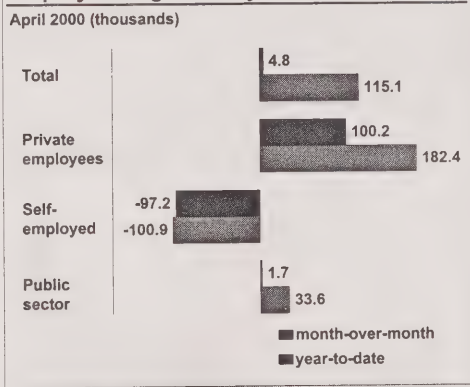
### ...as private employees post most of the gains

- The number of paid employees in the private sector rose 100,000 in April, while self-employment fell by 97,000.
- *Statistics Canada has noted that the inclusion of a supplementary survey on self-employment in the April survey may have affected self-employment data, leaving the total employment picture unchanged.*

Employment by major sector



Employment growth by worker category



## Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 April	2000 March	2000 April	last month	last year	year-to-date	last month	last year
<b>Goods-producing</b>	3,753.4	3,887.4	3,892.1	4.7	138.7	26.8	0.1	3.7
Agriculture	417.6	397.8	385.7	-12.1	-31.9	-13.4	-3.0	-7.6
Other Primary*	266.9	277.1	284.6	7.5	17.7	9.3	2.7	6.6
Utilities	115.4	114.3	115.0	0.7	-0.4	-0.4	0.6	-0.3
Construction	769.6	824.3	820.5	-3.8	50.9	13.1	-0.5	6.6
Manufacturing	2,183.8	2,273.8	2,286.3	12.5	102.5	18.1	0.5	4.7
<b>Services-producing</b>	10,695.4	10,970.4	10,970.4	0.0	275.0	88.2	0.0	2.6
Trade	2,243.1	2,307.1	2,294.1	-13.0	51.0	22.4	-0.6	2.3
Transportation	735.0	782.0	784.9	2.9	49.9	20.7	0.4	6.8
FIRE*	857.7	863.7	860.4	-3.3	2.7	-4.9	-0.4	0.3
Professional/Scientific	903.1	912.9	916.2	3.3	13.1	-10.3	0.4	1.5
Management/Administrative	505.9	528.3	538.9	10.6	33.0	21.4	2.0	6.5
Educational Services	969.0	994.6	982.4	-12.2	13.4	-19.3	-1.2	1.4
Health Care/Social Assistance	1,429.6	1,517.7	1,528.9	11.2	99.3	57.0	0.7	6.9
Information/Culture/Recreation	622.4	638.1	637.3	-0.8	14.9	1.1	-0.1	2.4
Accommodation & Food	920.2	963.9	967.0	3.1	46.8	16.4	0.3	5.1
Other Services	730.1	690.4	682.9	-7.5	-47.2	-26.0	-1.1	-6.5
Public Administration	779.3	771.6	777.7	6.1	-1.6	9.9	0.8	-0.2

\*Other Primary: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.





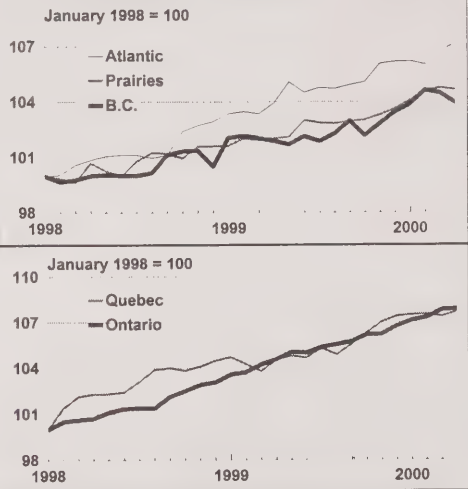
Quebec and Manitoba lead April job gains...

- Seven of the ten provinces posted increases in employment in April, led by Quebec and Manitoba.
- Saskatchewan, Alberta and British Columbia were the only provinces in which employment fell on the month.

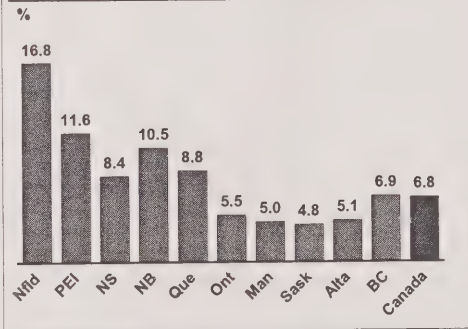
...but unemployment rates are little changed in most provinces

- The biggest drop in provincial unemployment rates was in Newfoundland. Job gains coupled with a declining labour force lowered this province's unemployment rate by 1.0 percentage points to 16.8%, still the highest in Canada.
- Job gains in Manitoba and Nova Scotia also led to sharp drops in these provinces' unemployment rates. The Nova Scotia unemployment rate (8.4%) is a 24-year low.
- In British Columbia, job losses were offset by an even bigger decline in the labour force, resulting in a slight drop in its unemployment rate.
- Job losses led to higher unemployment rates for Saskatchewan and Alberta. Unemployment rates rose in both Quebec and New Brunswick despite solid job gains, due to even bigger jumps in the number of job seekers.

Regional employment patterns



Unemployment Rates -- April 2000



Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels	Change since		Change since			Levels	Change since	
	2000 April	last month	%	last year	%		2000 April	last month	last year
		(000's)		(000's)					
Canada	14,862.6	4.8	0.0	413.8	2.9		6.8	0.0	-1.4
Newfoundland	206.1	0.8	0.4	7.6	3.8		16.8	-1.0	-2.1
P.E.I.	65.7	0.2	0.3	4.7	7.7		11.6	0.0	-3.8
Nova Scotia	423.0	2.1	0.5	13.6	3.3		8.4	-0.5	-0.8
New Brunswick	333.1	1.7	0.5	5.4	1.6		10.5	0.1	-0.2
Quebec	3,435.1	9.9	0.3	100.5	3.0		8.8	0.2	-1.3
Ontario	5,834.6	2.3	0.0	177.6	3.1		5.5	-0.1	-1.5
Manitoba	555.9	5.3	1.0	15.4	2.8		5.0	-0.6	-0.8
Saskatchewan	488.0	-3.2	-0.7	10.6	2.2		4.8	0.2	-1.6
Alberta	1,583.6	-4.7	-0.3	40.1	2.6		5.1	0.1	-0.8
B.C.	1,937.5	-9.6	-0.5	38.3	2.0		6.9	-0.1	-1.9







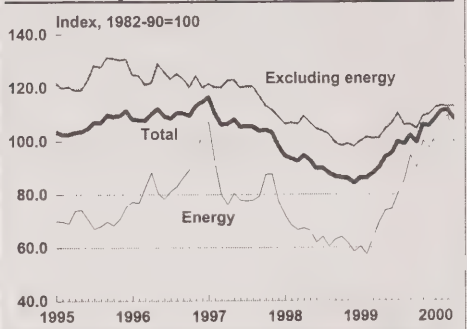
Higher prices for energy boost inflation up in March...

- A solid 22.4% increase in energy prices drove up inflation to 3.0% in March, its largest year-over-year increase since December 1991.
- On a monthly basis, prices rose by 0.7%, also the biggest increase since 1991. This increase was driven largely by higher gasoline prices, but higher costs for women's clothing and travel tours also contributed. Lower prices for fuel oil – the first decrease in a year – and fresh fruits partly offset these increases.

...but the "core" rate remains within the official target range

- Higher energy prices have not spilled over into other areas of the economy. Excluding energy, food and indirect taxes, the "core" rate of inflation was 1.5% in March, within the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- On a year-over-year basis, commodity prices rose 20.1% in April. This increase was driven by higher energy prices, which advanced 42.7%, but also higher prices for non-energy commodities.

Commodity Prices (\$U.S. basis)



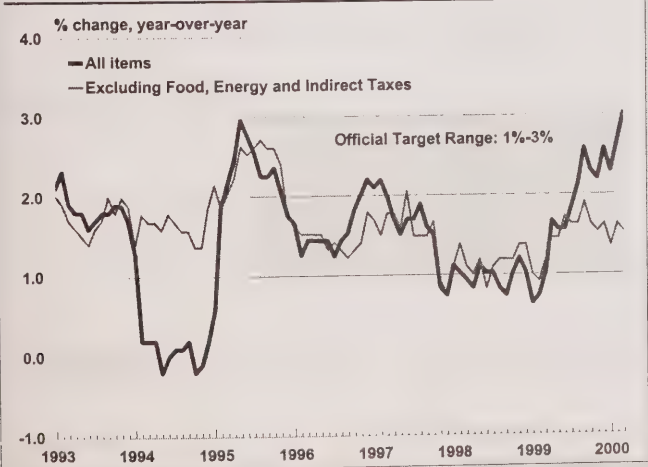
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
March 2000			
All items CPI	112.8	0.7	3.0
Food	111.1	0.5	0.4
Shelter	107.5	0.1	2.9
Household operations	109.7	0.4	0.9
Clothing & Footwear	106.5	1.1	0.3
Transportation	131.1	2.0	8.1
Health & Personal Care	111.0	-0.1	1.6
Recreation, Educ. & Reading	120.8	0.8	3.0
Alcohol & Tobacco	96.7	0.3	3.2
Excl. Food/Energy/Indirect Taxes	113.0	0.4	1.5
Energy	127.0	4.0	22.4

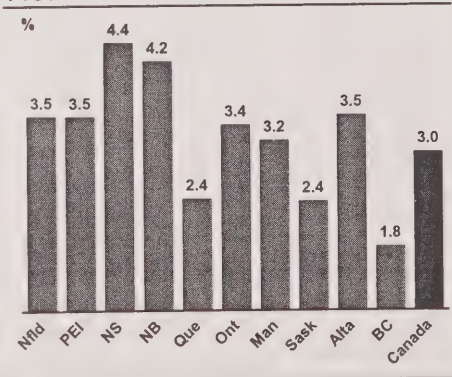
Commodity Prices (April)

Index, 1982-90=100	108.3	-3.0	20.1
Excluding Energy	113.1	0.3	11.6
Energy	99.3	-9.3	42.7

Consumer Price Index



Provincial CPI Inflation -- March 2000







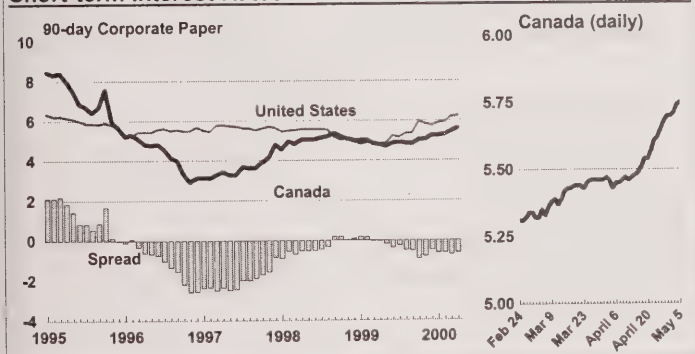
### Short term interest rates trend up in April...

- Short-term interest rates rose steadily throughout April on expectations that the Bank of Canada would raise rates in May. This expected move reflects the need to contain inflation within the 1%-3% official target band, and reflects pressure from an anticipated hike in U.S. interest rates.
- Short-term interest rates closed May 3 at 5.71%, up 25 basis points from March's close. As U.S. rates were also trending up over this period, Canadian short term interest rates are nearly 80 basis points below comparable U.S. rates.

### ...as do long-term bond yields

- Long-term bond yields closed out May 3 at 5.87%, only 3 basis points higher than at the end of March. However, this seemingly stable result masks strong volatility within April and early May. After falling to 5.66% on April 10, long rates subsequently jumped up to just under 6.0% near the end of April. Data releases showing that the U.S. economy remains very strong raised inflation fears and pushed up bond yields on both sides of the border.
- The gap between Canadian and U.S. long term interest rates narrowed to near zero at the end of April. However, falling Canadian bond yields early in May helped widen this gap to 24 basis points in Canada's favour by May 3.

#### Short-term Interest Rates

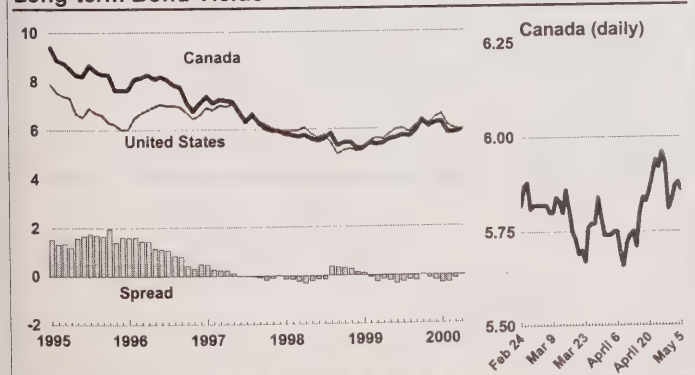


#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Nov 1999	5.05	-0.80	6.10	-0.12
Dec	5.27	-0.49	6.23	-0.22
Jan 2000	5.25	-0.64	6.27	-0.33
Feb	5.31	-0.64	5.83	-0.31
March	5.46	-0.72	5.84	-0.15
April	5.62	-0.64	5.92	-0.03
May 3	5.71	-0.79	5.87	-0.24

A positive spread indicates that Canadian rates are above their U.S. counterparts.

#### Long-term Bond Yields



#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Nov 1999	5.00	6.50	7.35	8.25
Dec	5.00	6.50	7.35	8.25
Jan 2000	5.00	6.50	7.60	8.55
Feb	5.25	6.75	7.60	8.55
March	5.50	7.00	7.70	8.35
April	5.50	7.00	7.70	8.35
May 3	5.50	7.00	7.90	8.55



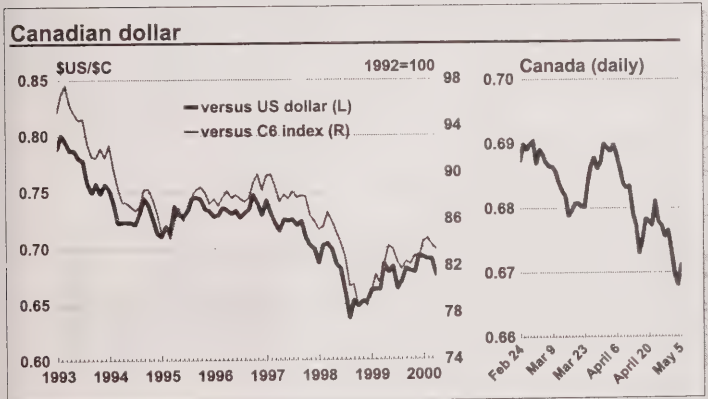


Stock prices slip in April...

- After rising above 10,000 late in March, a strong sell off of technology stocks pulled the TSE 300 index below the 8,500 mark by April 14, its lowest level since the end of January. The index subsequently recouped some of its losses, closing the month at 9,348, off recent highs but nonetheless 33.3% above its year ago level.
- The technology-dominated U.S. Nasdaq index plummeted 7.1% on April 12 and 9.7% on April 14, two of the biggest single-day losses on record. In fact, the Nasdaq dropped more than 20% in that week alone, before recovering somewhat in the last two weeks of the month. The U.S. S&P 500 and Dow Jones Industrial Average posted smaller losses over the month, declining 3.1% and 1.7% respectively. Despite its large losses in April, the Nasdaq is up 51.4% on a year-over-year basis, a much better performance than more traditional indexes.

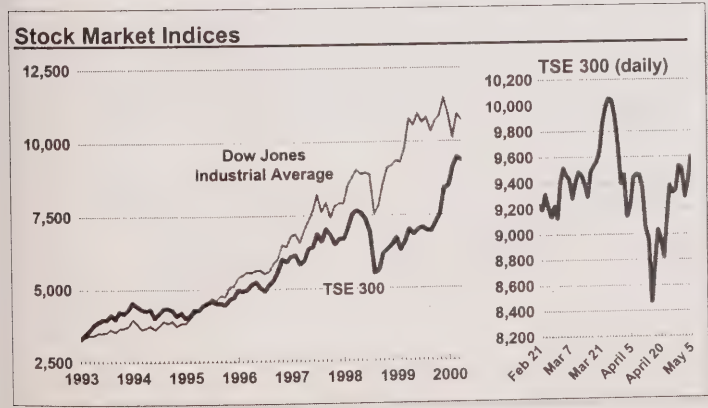
...and the dollar falls

- The dollar weakened throughout most of April, closing the month at \$US 0.6756. Ongoing fears that the Bank of Canada might not fully match an expected 50 basis points increase in U.S. interest rates continued to put downward pressure on the dollar early in May as it edged down below the \$US 0.67 mark for the first time since October.



The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Nov 1999	0.6782	82.96	1.291	71.29
Dec	0.6929	82.67	1.313	69.66
Jan 2000	0.6918	84.15	1.333	72.77
Feb	0.6898	84.39	1.370	75.43
March	0.6899	83.84	1.388	72.77
April	0.6756	83.47	1.409	71.90
May 5	0.6712			



Key Stock Market Indexes

		% change from	
	April Close	last month	last year
TSE 300	9,348	-1.2	33.3
Oil & Gas	6,623	6.5	12.7
Metals & Minerals	3,471	-2.1	-9.0
Utilities	15,693	-5.3	100.6
Paper & Forest	5,942	12.8	34.7
Merchandising	4,828	8.2	-12.1
Financial Services	7,749	2.4	-8.5
Gold	4,206	6.1	-28.9
Price-Earnings Ratio*	28.3	-4.7	-1.9
S&P 500	1,452	-3.1	8.8
Dow Jones	10,734	-1.7	-0.5

\*columns 2 & 3 reflect change in levels







### *The US economy continues to grow strongly in the first quarter...*

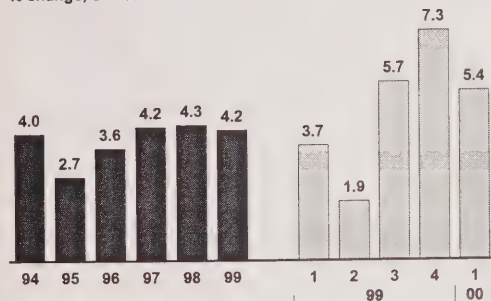
- Advance estimates indicate that real GDP increased a solid 5.4% (annual rate) in the first quarter of 2000, building on a sharp 7.3% gain in the previous period. Production was boosted by strong increases in consumer spending and non-residential fixed investment. Lower investment in inventories and a drop in exports moderated overall growth.
- The U.S. trade deficit soared to \$29.2 billion in February, the second straight monthly record. Rising imports (+1.5%), led by crude oil, fuelled the higher deficit, as exports decreased slightly (-0.2%).

### *...raising expectations of a rate hike*

- U.S. employment rose 340,000 in April, the second major increase in as many months. April job gains were led by Retail Trade, Services and Government (once again due to the hiring of temporary census workers). The unemployment rate, which had held steady at 4.1% in February and March, fell to 3.9% in April. This is the first time the rate has been below 4% since January 1970.
- The employment cost index grew 1.4% in the first quarter, the biggest rise since 1989. Combined with the drop in unemployment and a sharp rise in consumer prices fuelled by higher energy prices, this has greatly increased expectations that the Federal Reserve will raise its key interest rate by as much as 50 points at its May 16 meeting.
- Still, productivity growth remains strong and will help moderate inflation. Labour productivity rose 2.4% (annual rate) in the first quarter of this year, following a 6.9% surge in the fourth quarter of 1999.

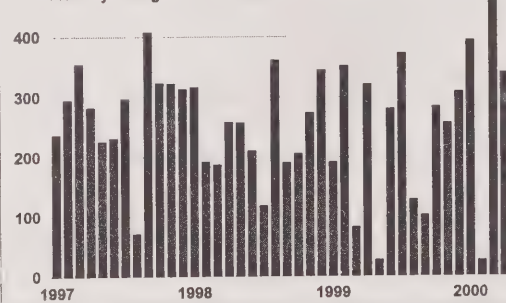
#### U.S. Real GDP Growth

% change, SAAR



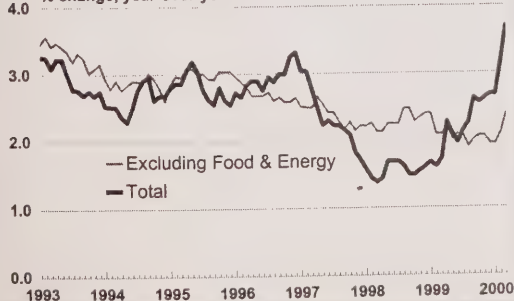
#### U.S. Non-farm Payrolls

Monthly change in thousands

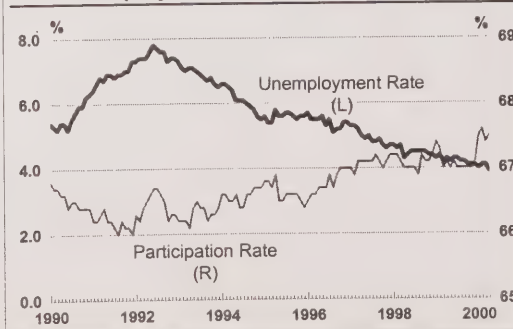


#### U.S. Consumer Price Inflation

% change, year-over-year



#### U.S. Unemployment & Participation Rates





**CANADA**

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**UNITED STATES**

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

Note: the May MEI uses data available as of May 5, 2000



# MONTHLY ECONOMIC INDICATORS

June 2000

## HIGHLIGHTS

- 
**Real GDP increases 4.9% in the first quarter, boosted by booming exports and solid domestic demand.**
- 
**A near-record trade surplus leads to a surplus of \$4.8 billion on Canada's current account.**
- 
**Employment gains in May push Canada's unemployment rate down to 6.6%, its lowest level in 24 years.**
- 
**The Bank of Canada hikes interest rates by 50 basis points on May 17, following the US lead.**
- 
**CPI inflation falls to 2.1% in April as energy prices moderate.**

## Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	774.3	0.7	4.7	Mar.
Goods	259.5	0.7	6.2	Mar.
Services	514.8	0.7	3.9	Mar.
Composite Index	161.6	0.9	8.2	Apr.
Employment (000's)	14,905	0.3	2.8	May
Full-time	12,199	0.3	3.1	May
Part-time	2,706	0.1	1.7	May
Unemployment* (%)	6.6	6.8	7.9	May
Youth*	12.5	12.9	15.0	May
Adult*	5.5	5.6	6.5	May
CPI inflation*	2.1	3.0	1.7	Apr.
Retail Sales (\$M)	22,826	2.1	6.7	Mar.
Housing Starts (000's)	142.1	-10.4	-1.8	May
Trade Balance* (\$M)	3,889	3,500	2,479	Mar.
Exports	33,528	4.5	16.3	Mar.
Imports	29,639	3.7	12.5	Mar.
M&E	9,686	4.0	12.7	Mar.
3-mth Corp. paper* (%)	5.91	5.62	4.71	June 7
Long bond yield* (%)	5.59	5.92	5.58	June 7
Canadian dollar* (US¢)	67.82	67.56	67.84	June 9

\*Data in levels only – % change not reported.

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).



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Canada

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# **MONTHLY ECONOMIC INDICATORS**

## **June 2000**

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This report uses data available as of June 9, 2000. It has been prepared by Marianne Blais, Julie Dubois, Joe Macaluso, Alison McDermott and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).





### *The economy is off to a strong start in the first quarter...*

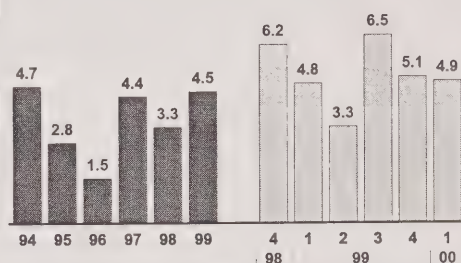
- Real GDP rose 4.9% (annual rate) in the first quarter of 2000, supported by booming exports and solid domestic demand. This advance extends the consecutive string of quarterly output gains to nineteen, the longest observed since the 1960's.
- Exports made a strong contribution to growth, rising 13.9% (SAAR) in the first quarter. Although import growth was also strong, it failed to keep pace with exports, pushing Canada's real merchandise trade surplus to a near record level.
- Domestic demand was another key source of growth in the first quarter, boosted by particularly sharp gains in non-residential construction, M&E investment, and residential construction. Consumer spending posted its fifth consecutive period of solid growth, supported by high levels of consumer confidence.

### *...as growth in personal income picks up and corporate profits soar*

- Growth in personal incomes advanced strongly in the first quarter, led by a 7.8% rise in labour income -- the biggest quarterly increase since 1989.
- As income growth outpaced growth in consumer spending, the saving rate rose to 3.4%, up from a revised 3.2% during the last quarter of 1999. Although the household debt-to-income ratio edged down slightly from its record fourth quarter level, household debt remains at unprecedented levels.
- Benefiting from firming commodity prices and strengthening international demand, corporate profits surged 31.5% (annual rate) in the first quarter. This marks the fifth consecutive quarter in which growth in corporate profits has exceeded 20% on an annualized basis.

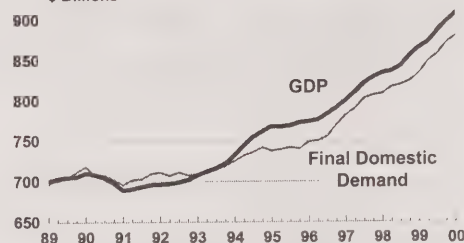
#### Growth in Real Gross Domestic Product

% change, SAAR



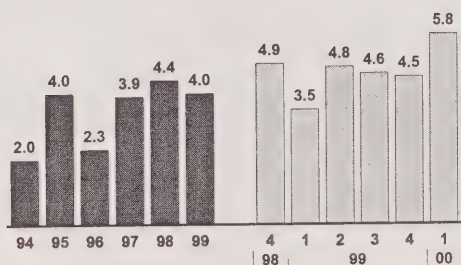
#### GDP and Final Domestic Demand

\$ Billions

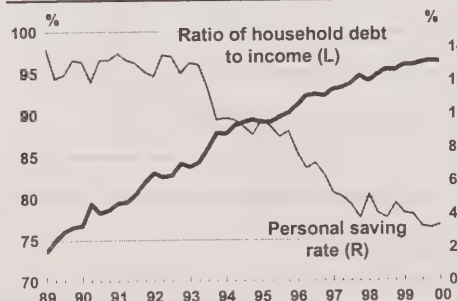


#### Growth in Personal Income

% change, SAAR



#### Personal Debt and Saving Rate





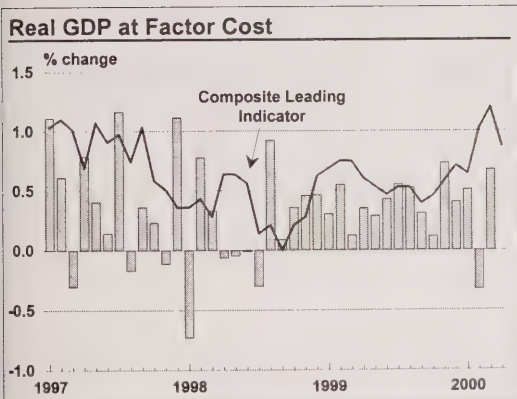


### Economic activity rebounds in March...

- Real GDP at factor cost rebounded strongly in March (+0.7%), more than offsetting a decline in February that ended a record 18-month string of consecutive advances. Output gains were broad-based, with strength in Goods-producing and Services-producing industries.

### ...with widespread gains across the economy

- Goods production rose 0.7% in March, boosted by an increase in Manufacturing output (which accounted for over 40% of total growth in the economy). The transportation sector played a large role in this gain, with production of autos and parts rising 3.4% on the month. Elsewhere in the goods sector, advances in Construction, Logging and Forestry, and Mining were offset by a lower Utilities output, which was dampened by warmer-than-usual temperatures.
- Output in Services industries increased by 0.8% in March, led by increases in Wholesale and Retail Trade -- the latter due primarily to higher auto sales. Other notable increases were posted in Transportation, which benefited from strong economic activity, and Finance, Real Estate & Insurance, which profited from high levels of stock market activity and a hot housing market. Business Services continued its steady advance, rising as it has in every month since June 1986.

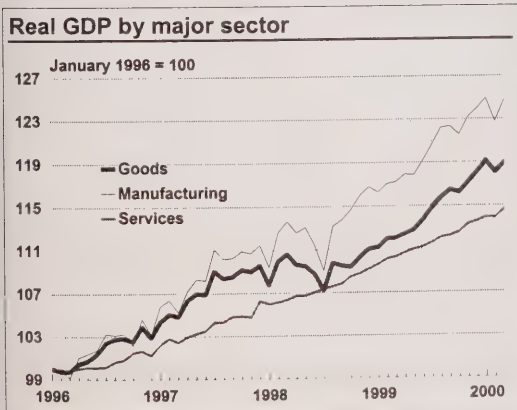


### Real GDP at Factor Cost (1992 dollars)

March 2000

	\$ millions	monthly change	% Change since last month	year
<b>Total Economy</b>	<b>774,340</b>	<b>5,201</b>	<b>0.7</b>	<b>4.7</b>
<b>Business sector</b>	<b>644,717</b>	<b>5,131</b>	<b>0.8</b>	<b>5.4</b>
<b>Goods</b>	<b>259,548</b>	<b>1,857</b>	<b>0.7</b>	<b>6.2</b>
Agriculture	13,737	87	0.6	3.1
Fishing & Trapping	788	14	1.8	4.1
Logging & Forestry	4,650	121	2.7	4.9
Mining*	28,522	104	0.4	8.9
Manufacturing	142,229	2,250	1.6	6.4
Construction	44,016	456	1.0	6.9
Other Utilities	25,606	-1,175	-4.4	2.5
<b>Services</b>	<b>514,792</b>	<b>3,344</b>	<b>0.7</b>	<b>3.9</b>
Transport & Storage	36,262	477	1.3	5.7
Communications	29,015	224	0.8	13.0
Wholesale Trade	46,590	709	1.5	2.4
Retail Trade	48,271	606	1.3	4.7
Finance & Insurance	44,245	409	0.9	8.5
Real Estate & Ins. Agent	80,948	336	0.4	2.7
Business services	45,883	279	0.6	7.9
Government services	46,050	105	0.2	2.0
Education	40,550	40	0.1	1.0
Health & Social Services	47,047	-36	-0.1	-0.1
Accommodation & Food	19,905	191	1.0	1.3
Other	30,026	4	0.0	1.6

\*Includes Quarrying and Crude Petroleum & Natural Gas







Consumer Spending and Attitudes

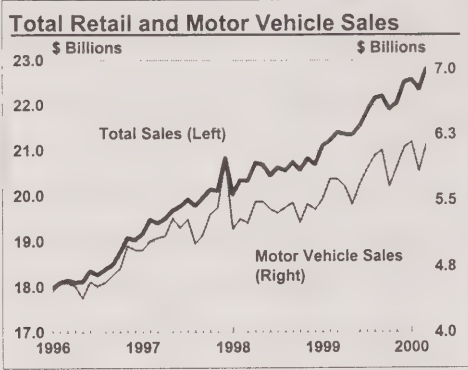


Consumer spending remains solid in the first quarter...

- Real consumption rose 3.4% (annual rate) in the first quarter of 2000, just slightly below the increase posted in the previous quarter.
- Even with a pause in auto sales, consumer spending was led by purchases of durable and semi-durable goods. A high volume of financial market activity boosted expenditures on financial, legal and other services for the fifth straight quarter.

...supported by employment and income gains

- Consumer confidence slipped somewhat in the first quarter, but recent gains in employment and incomes should continue to provide a boost to spending in 2000. Indeed, personal disposable income was up 5.5% (annual rate) in the first quarter, marking the fourth consecutive quarter of growth above 4%.
- Recent income gains have not significantly improved household finances. The personal saving rate remains very low (3.4%), while debt levels are at a historical high relative to household income. Recent hikes in interest rates underline the importance of strong growth in disposable incomes to sustain consumer spending.

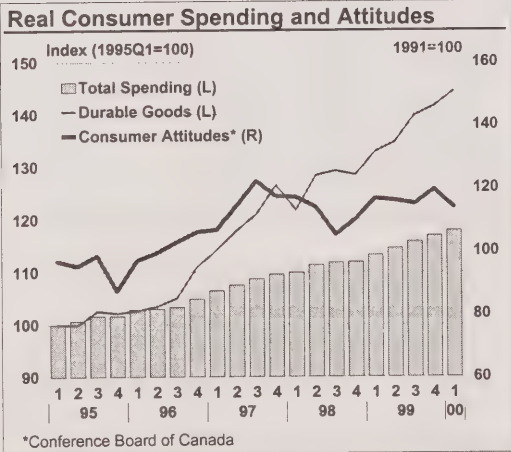


Retail Sales and Consumer Credit

March 2000	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	22,826	2.1	6.7
Food	4,994	0.4	2.3
Drug Stores	1,108	-0.1	-0.1
Clothing	1,263	2.9	5.8
Furniture	1,235	1.7	12.5
Automotive	9,274	4.3	11.3
General Merch. Stores	2,534	-0.4	3.8
All other Stores	2,419	0.8	3.4
Total ex. motor vehicles	16,688	1.0	6.6
Consumer Credit (unadjusted)	180,494	0.3	11.8

Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)	1998		1999		1999 Q4	2000 Q1
Real Consumption (92\$)	487,866	504,763	512,468	516,804		
% change	2.9	3.5	3.7	3.4		
Durable Goods	66,487	71,859	74,136	75,604		
% change	5.9	8.1	5.2	8.2		
Semi-Durable Goods	45,751	47,103	47,544	48,516		
% change	4.4	3.0	-0.3	8.4		
Non-Durable Goods	120,795	123,344	124,580	125,012		
% change	1.7	2.1	3.2	1.4		
Services	254,833	262,457	266,208	267,672		
% change	2.5	3.0	4.2	2.2		
Disposable Income	567,960	590,608	600,560	608,680		
% change	3.9	4.0	4.5	5.5		
Saving Rate (%)	4.5	3.7	3.2	3.4		
Debt-to-Income Ratio (%)	94.9	96.1	96.4	96.3		



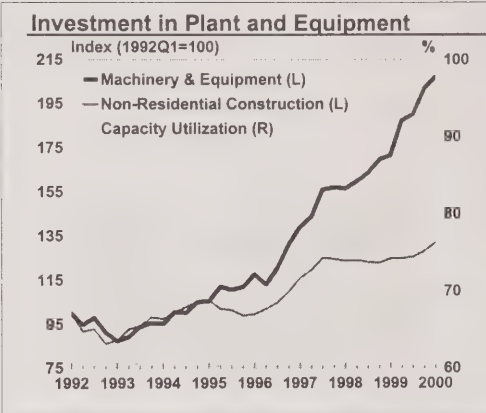


Business Investment in Plant and Equipment



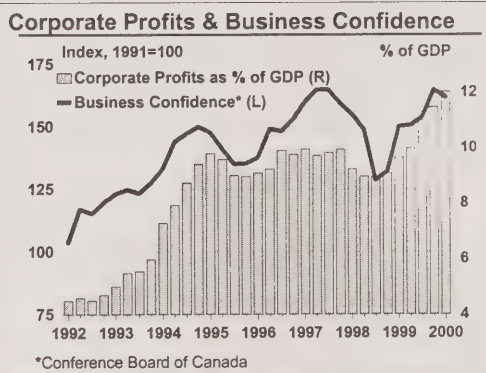
Business investment advances strongly in the first quarter...

- Business investment in plant and equipment rose 11.2% (annual rate) in the first quarter, following an even larger surge in the fourth quarter. Spending on M&E increased 10.5%, largely on the strength of purchases of computers and other office equipment. Investment in transportation equipment (excluding cars), industrial machinery and telecommunications equipment was also strong.
- Non-Residential Construction was up 12.5% on the quarter. Activity in the oil patch has been driven higher by rising energy prices.



...and is well positioned for further growth throughout the year

- The investment outlook for the remaining three quarters of 2000 is positive. After rebounding strongly in 1999, corporate operating profits registered further strong gains in the first quarter of 2000.
- Moreover, capacity utilization reached 87.6% in the first quarter, the highest rate recorded since the mid-1960s. Additional investments in plant and equipment will be needed to satisfy strong domestic and international demand for industrial products.



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)						
	1998	1999	1999 Q2	1999 Q3	1999 Q4	2000 Q1
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	65,357	75,557	75,396	76,508	81,248	83,304
% change	9.0	15.6	41.9	6.0	27.2	10.5
Non-residential Construction (1992\$)	39,502	40,288	39,956	40,200	41,040	42,264
% change	1.7	2.0	0.0	2.5	8.6	12.5
Capacity Utilization (% , Non-farm goods)	83.3	84.8	83.8	85.7	86.5	87.6
Capacity Utilization (Mfg. sector)	83.8	85.7	84.5	86.8	87.2	87.9
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	142,296.0	174,317.0	170,760.0	181,716.0	189,792.0	213,156.0
% change	-13.3	22.5	47.3	28.2	19.0	59.1
Profits - Non-financial industries	94,891.0	123,372.0	117,724.0	129,740.0	135,332.0	147,744.0
% change	-13.6	30.0	27.9	47.5	18.4	42.0
Profits - Financial industries	47,406.0	50,945.0	53,036.0	51,976.0	54,460.0	65,412.0
% change	-12.5	7.5	105.3	-7.8	20.5	108.1
Business Credit	686,869.4	717,831.1	711,296.7	720,869.7	730,899.0	741,583.3
% change	10.0	4.5	1.7	5.5	5.7	6.0





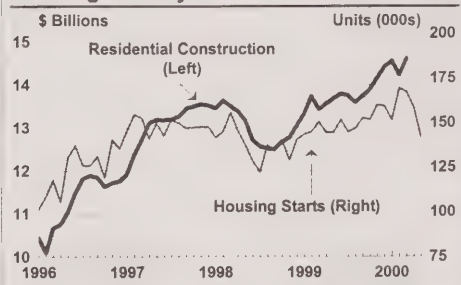
### *The housing market posts a healthy gain in the first quarter...*

- Investment in residential construction grew a solid 9.8% in the first quarter of 2000, building on an even stronger advance in the previous quarter.
- Spending on alterations and improvements surged for the second consecutive quarter, and the resale market remained strong. However, new housing construction slowed from a sharp advance posted in the fourth quarter.

### *...but growth may slow over the course of the year*

- Higher mortgage rates, increased housing prices and recent weakness in sales of existing homes (albeit compared to record 1999 levels) could all contribute to a weaker outlook for the general housing market.
- Housing starts did indeed fall sharply in both April and May. Still, notwithstanding a notable decline in April, the total value of residential building permits over the January-April period was up 11.6% compared to the same period last year.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	14,620	2.7%	8.8%
<b>Building Permits, \$M (2)</b>	1,537	-15.2%	0.3%
<b>Sales of Existing Homes (2)</b> (# of units)	19,073	-1,752	
<b>Housing Starts, # of units (3)</b>	142,100	-16,500	-2,600
Newfoundland	1,100	-300	500
Prince Edward Island	400	200	-100
Nova Scotia	3,700	700	-400
New Brunswick	1,500	-400	200
Quebec	17,100	-2,400	200
Ontario	53,200	-17,400	-12,500
Manitoba	1,300	-500	-700
Saskatchewan	2,000	400	200
Alberta	25,300	4,000	10,600
British Columbia	13,200	-800	-1,100

1 - March data; 2 - April data; 3 - May data.

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

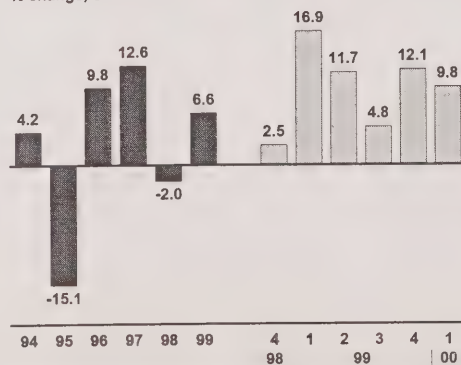
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q4	2000 Q1
<b>Residential Construction</b>	41,523	44,259	45,760	46,844
% change	-2.0	6.6	11.8	9.8
<b>Construction by Business sector</b>	41,277	43,983	45,496	46,572
% change	-2.0	6.6	12.1	9.8
<b>New Housing</b>	20,701	22,258	23,472	23,652
% change	-3.5	7.5	21.3	3.1
<b>Alterations &amp; Improvements</b>	13,640	14,399	14,848	15,520
% change	2.4	5.6	19.9	19.4
<b>Ownership &amp; Transfer Costs</b>	7,182	7,259	7,440	7,672
% change	-5.7	1.1	-23.2	13.1

### Growth in Real Residential Construction

% change, SAAR









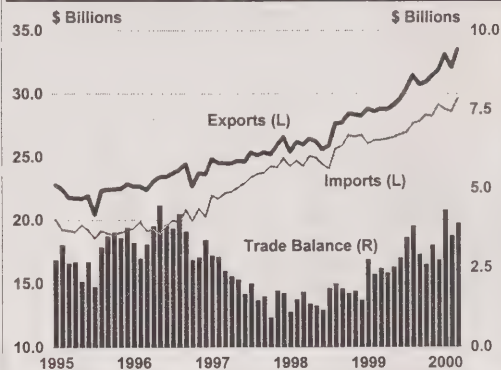
### Exports outpace imports in March...

- Exports increased 4.5% in March, rebounding strongly from a fall in February. All major commodity groups registered gains on a monthly and year-over-year basis. However, the March advance can be attributed in large part to a sharp recovery in exports of Automotive Products. Exports of M&E were also up significantly in March.
- Imports rose 3.7% in March, reversing declines in the two previous quarters. As with exports, imports from all major commodity groups were higher. Gains were led by a solid increase in imports of investment-related M&E and Industrial Goods & Materials.

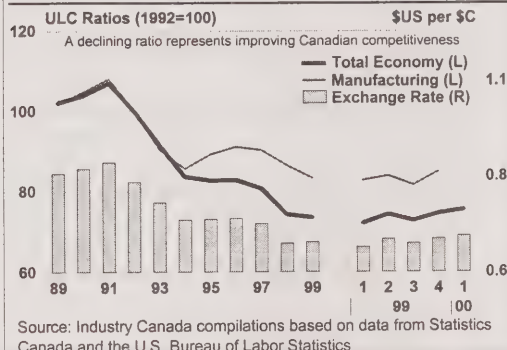
### ...leading to a higher trade surplus

- With exports outpacing imports, Canada's merchandise trade surplus rose to \$3.9 billion in March. The cumulative first-quarter surplus of \$11.7 billion is the second highest surplus on record.

#### Merchandise Trade Flows and Balance



#### Canada-U.S. Unit Labour Cost Ratios



#### Merchandise Trade

March 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	February 2000	March 2000	1999 Jan-Mar	2000 Jan-Mar	Feb to Mar 2000	Feb to Mar 2000	Feb to Mar 2000	Mar 1999 to Mar 2000
<b>Exports</b>	32,080	33,528	86,272	98,704	1,448	4.5	16.3	
to United States	27,304	28,817	73,757	84,581	1,513	5.5	16.0	
<b>Imports</b>	28,580	29,639	78,726	87,007	1,059	3.7	12.5	
from United States	21,518	22,112	60,768	65,293	594	2.8	9.3	
<b>Trade Balance</b>	3,500	3,889	7,546	11,697	389			
with United States	5,786	6,705	12,989	19,288	919			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,155	2,249	6,295	6,583	94	4.4	8.6	
Energy Products	3,626	3,650	5,523	10,494	24	0.7	89.1	
Forestry Products	3,428	3,501	9,272	10,503	73	2.1	13.8	
Industrial Goods & Materials	5,180	5,301	13,860	15,609	121	2.3	17.2	
Machinery & Equipment	7,707	8,258	20,475	23,755	551	7.1	20.7	
Automotive Products	7,645	8,267	24,003	24,814	622	8.1	2.0	
Other Consumer Goods	1,164	1,165	3,423	3,489	1	0.1	2.9	
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,488	1,512	4,378	4,518	24	1.6	2.4	
Energy Products	1,355	1,472	1,955	4,009	117	8.6	109.4	
Forestry Products	237	262	656	748	25	10.5	17.0	
Industrial Goods & Materials	5,586	5,867	15,083	17,002	281	5.0	13.9	
Machinery & Equipment	9,315	9,686	26,282	28,617	371	4.0	12.7	
Automotive Products	6,450	6,556	18,384	19,450	106	1.6	6.1	
Other Consumer Goods	3,100	3,244	9,025	9,538	144	4.6	6.9	





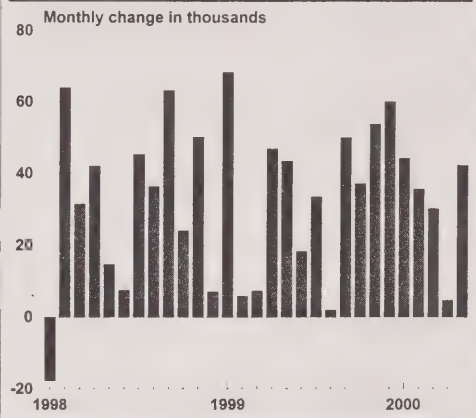
### Employment growth is back on track in May...

- Employment rose by 42,000 in May, rebounding from a slight pause in April. Job gains since May 1999 total 413,000.
- Most of May's job gains were in full-time employment (+38,000). Indeed, full-time work has increased by 3.1% over the past 12 months, a much faster pace than for part-time employment (1.7%). Total hours worked is up 2.8% over this same period.

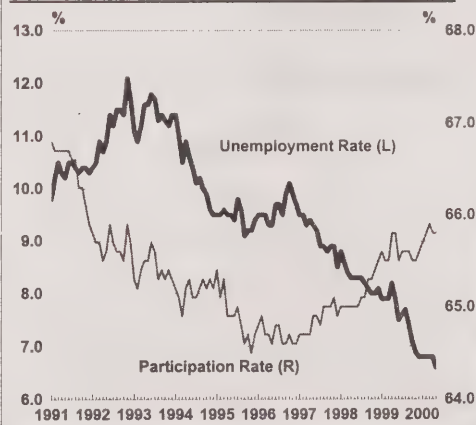
### ...pushing the unemployment rate down to 6.6%, a 24-year low

- Despite an increase in the labour force, strong employment growth lowered Canada's unemployment rate to 6.6% in May, the lowest since March 1976. Prior to this, the national unemployment rate had held steady at 6.8% for five straight months.
- The adult unemployment rate edged down 0.1 points to 5.5% in May, while that for youth fell 0.4 percentage points to 12.5%. The summer job market for students began on a positive note – the percentage of students aged 20-24 with jobs was 58.0% in May, up 1.6 points from a year ago.

#### Employment



#### Unemployment Rate



#### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 May	2000 April	2000 May	last month	last year	year-to-date	last month	last year
Employment	14,492.3	14,862.6	14,904.9	42.3	412.6	157.4	0.3	2.8
Full-time	11,830.8	12,160.9	12,199.3	38.4	368.5	103.9	0.3	3.1
Part-time	2,661.5	2,701.7	2,705.5	3.8	44.0	53.4	0.1	1.7
Youth 15-24	2,193.6	2,272.4	2,285.0	12.6	91.4	30.9	0.6	4.2
Adult 25+	12,298.7	12,590.2	12,619.8	29.6	321.1	126.5	0.2	2.6
Self-employed	2,482.4	2,408.1	2,438.5	30.4	-43.9	-70.5	1.3	-1.8
Unemployment	1,238.2	1,079.3	1,056.6	-22.7	-181.6	-18.3	-2.1	-14.7
Unemployment Rate	7.9	6.8	6.6	-0.2	-1.3	-0.2		
Youth 15-24	15.0	12.9	12.5	-0.4	-2.5	-0.6		
Adult 25+	6.5	5.6	5.5	-0.1	-1.0	-0.1		
Labour Force	15,730.5	15,941.9	15,961.5	19.6	231.0	139.2	0.1	1.5
Participation Rate	65.8	65.8	65.8	0.0	0.0	0.2		
Employment Rate	60.6	61.4	61.5	0.1	0.9	0.3		





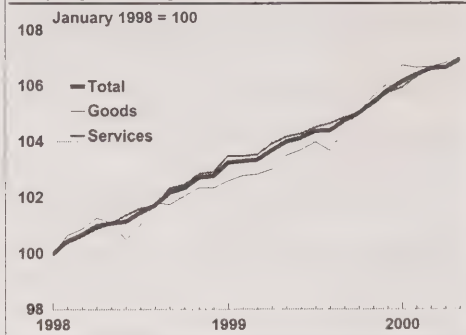
### Goods and Services both contribute to May job gains...

- Employment rose 14,000 in the Goods-producing sector in May, boosted by increases in Natural Resources and Manufacturing. Construction employment fell for the third straight month, but is up strongly on a year-over-year basis.
- Employment was up 28,000 in the Service sector. Major gains were posted by: Information, Culture & Recreation; Professional, Scientific & Technical Services; and, Health Care & Social Assistance. The largest declines were in Public Administration and Educational Services.

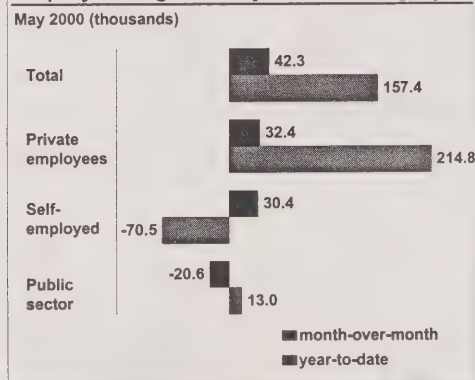
### ...with private employment gains partly offset by public employment losses

- Paid employment in the private sector rose 32,000 in May. The number of public sector employees fell by 21,000.
- Self-employment increased 30,000, partly reversing April's decline of 97,000 (which coincided with the inclusion of a supplemental survey on self-employment).

### Employment by major sector



### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 May	2000 April	2000 May	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,771.7	3,892.1	3,906.2	14.1	134.5	40.9	0.4	3.6
Agriculture	412.9	385.7	386.8	1.1	-26.1	-12.3	0.3	-6.3
Natural Resources*	264.5	284.6	290.3	5.7	25.8	15.0	2.0	9.8
Utilities	116.8	115.0	117.0	2.0	0.2	1.6	1.7	0.2
Construction	774.9	820.5	818.5	-2.0	43.6	11.1	-0.2	5.6
Manufacturing	2,202.6	2,286.3	2,293.5	7.2	90.9	25.3	0.3	4.1
<b>Services-producing</b>	10,720.7	10,970.4	10,998.6	28.2	277.9	116.4	0.3	2.6
Trade	2,239.9	2,294.1	2,308.0	13.9	68.1	36.3	0.6	3.0
Transportation	740.3	784.9	790.7	5.8	50.4	26.5	0.7	6.8
FIRE*	863.2	860.4	853.8	-6.6	-9.4	-11.5	-0.8	-1.1
Professional/Scientific	896.5	916.2	935.2	19.0	38.7	8.7	2.1	4.3
Management/Administrative	513.9	538.9	532.6	-6.3	18.7	15.1	-1.2	3.6
Educational Services	978.0	982.4	966.4	-16.0	-11.6	-35.3	-1.6	-1.2
Health Care/Social Assistance	1,437.4	1,528.9	1,547.4	18.5	110.0	75.5	1.2	7.7
Information/Culture/Recreation	623.8	637.3	659.2	21.9	35.4	23.0	3.4	5.7
Accommodation & Food	919.2	967.0	974.0	7.0	54.8	23.4	0.7	6.0
Other Services	730.2	682.9	678.9	-4.0	-51.3	-30.0	-0.6	-7.0
Public Administration	778.4	777.7	752.3	-25.4	-26.1	-15.5	-3.3	-3.4

\*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.







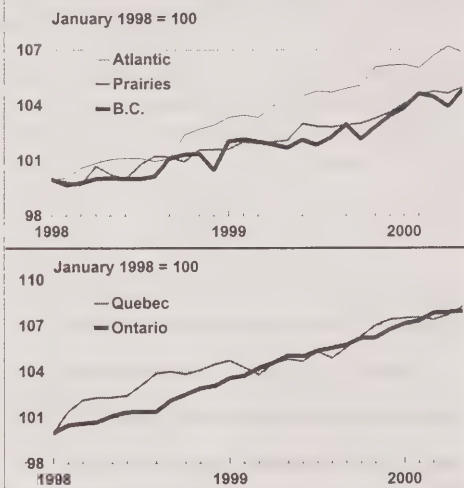
### Quebec and British Columbia account for most of the job gains...

- While six of the ten provinces posted higher employment in May, the biggest gains were in Quebec and British Columbia.
- Nova Scotia, New Brunswick, Manitoba and P.E.I. posted employment losses on the month.

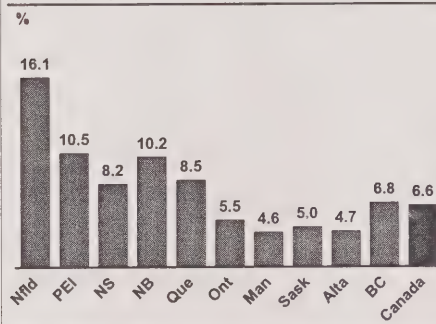
### ...but unemployment rates fall in most provinces

- Saskatchewan was the only province to register a higher unemployment rate in May, as modest job gains were offset by an increase in the labour force. The unemployment rate was unchanged in Ontario.
- In Atlantic Canada, Newfoundland was the only province in which employment increased. Still, unemployment rates were down in every Atlantic province due to declines in the number of job seekers. In fact, the 1.1 percentage point reduction in PEI's unemployment rate was the biggest among all provinces.
- Manitoba's unemployment rate also fell despite job losses. Higher employment contributed to lower unemployment rates in all other provinces.

### Regional employment patterns



### Unemployment Rates -- May 2000



### Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels	Change since last month		Change since last year			Levels	Change since last month	last year
	2000 May	(000's)	%	(000's)	%				
Canada	14,904.9	42.3	0.3	412.6	2.8		6.6	-0.2	-1.3
Newfoundland	207.3	1.2	0.6	-1.4	-0.7		16.1	-0.7	-1.2
P.E.I.	65.6	-0.1	-0.2	5.0	8.3		10.5	-1.1	-4.4
Nova Scotia	420.3	-2.7	-0.6	9.8	2.4		8.2	-0.2	-1.3
New Brunswick	331.4	-1.7	-0.5	3.7	1.1		10.2	-0.3	0.0
Quebec	3,452.5	17.4	0.5	109.6	3.3		8.5	-0.3	-1.0
Ontario	5,838.7	4.1	-0.1	156.2	2.7		5.5	0.0	-1.2
Manitoba	554.5	-1.4	-0.3	11.5	2.1		4.6	-0.4	-0.7
Saskatchewan	489.9	1.9	0.4	14.9	3.1		5.0	0.2	-2.2
Alberta	1,591.1	7.5	0.5	45.6	3.0		4.7	-0.4	-1.6
B.C.	1,953.6	16.1	0.8	57.8	3.0		6.8	-0.1	-1.5





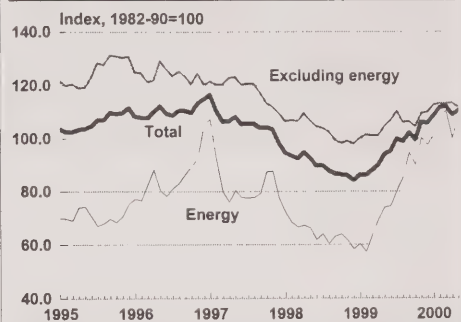
### *Inflation slows in April as energy prices moderate...*

- Inflation was 2.1% in April on a year-over-year basis, down sharply from 3.0% in March. A smaller increase in annual energy prices – the lowest in five months – explains most of the slowdown.
- On a monthly basis, consumer prices fell 0.4% in April, mostly due to a 3.8% drop in energy prices. Lower prices for transportation, clothing and household operations all contributed to the monthly decline in the All-items index.

### *...and the "core" rate falls toward the bottom of the official target range*

- Excluding energy, food and indirect taxes, the "core" rate of inflation was 1.3% in April, near the bottom end of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- On a year-over-year basis, commodity prices were up 17.6% in May. A strong 46.5% hike in energy prices was mainly responsible for this rise, but other commodity prices were also higher.

### Commodity Prices (\$U.S. basis)



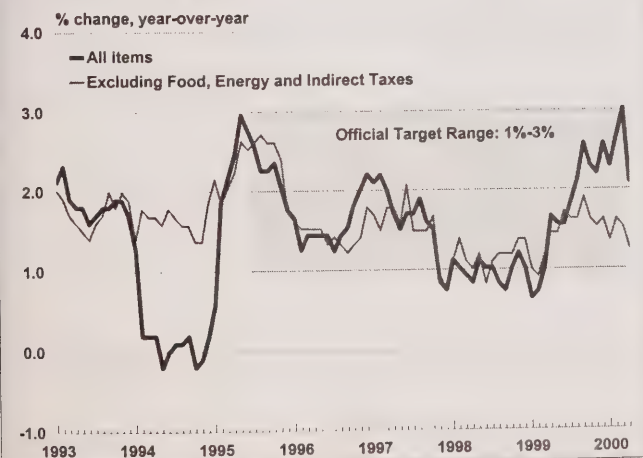
### Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
<b>April 2000</b>			
All items CPI	112.4	-0.4	2.1
Food	111.3	0.2	0.4
Shelter	107.5	0.0	2.6
Household operations	109.5	-0.2	0.6
Clothing & Footwear	105.1	-1.3	-0.7
Transportation	129.2	-1.4	4.5
Health & Personal Care	111.5	0.5	1.4
Recreation, Educ. & Reading	121.0	0.2	2.8
Alcohol & Tobacco	96.8	0.1	3.0
Excl. Food/Energy/Indirect Taxes	113.0	0.0	1.3
Energy	122.2	-3.8	13.6

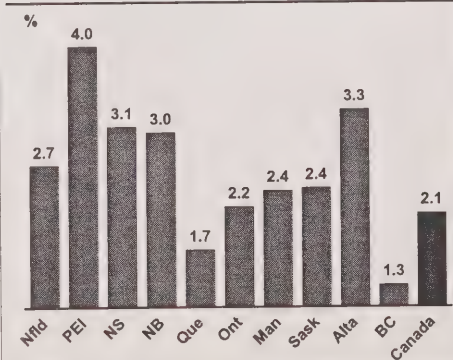
### Commodity Prices (May)

Index, 1982-90=100	110.5	1.6	17.6
Excluding Energy	111.6	-1.6	6.7
Energy	108.4	8.3	46.5

### Consumer Price Index



### Provincial CPI Inflation -- April 2000







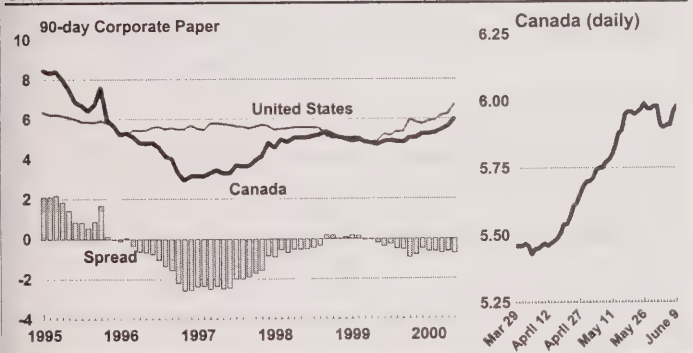
### *The Bank of Canada raises its trendsetting rate in May...*

- The Bank of Canada raised its key interest rate by 50 basis points on May 17 to 6.0%, matching a similar move by the U.S. Federal Reserve. This hike, aimed at containing the buoyant economy and preventing the emergence of inflationary pressures, triggered corresponding increases in the Prime Lending Rate and mortgage rates. However, there was little further market reaction to this news since short-term interest rates had already risen in anticipation of the move. Short-term interest rates closed out May at 5.98%, up roughly 35 basis points from the end of April.
- Short-term interest rates rose faster in the United States over this period, widening the gap between Canada and U.S. short term rates to 74 basis points in Canada's favour.

### *...but long-term bond yields fall*

- In contrast to short term rates, long-term bond yields trended down in May, closing at 5.63%. The gap between the Canadian long-term interest rate and its American counterpart increased to 39 basis points in Canada's favour. A shortage of long-term government bonds drove up prices and put downward pressures on yields.
- Lower bond yields coupled with higher short rates have resulted in an inverted yield curve, where short-term interest rates are above long term rates.

#### Short-term Interest Rates

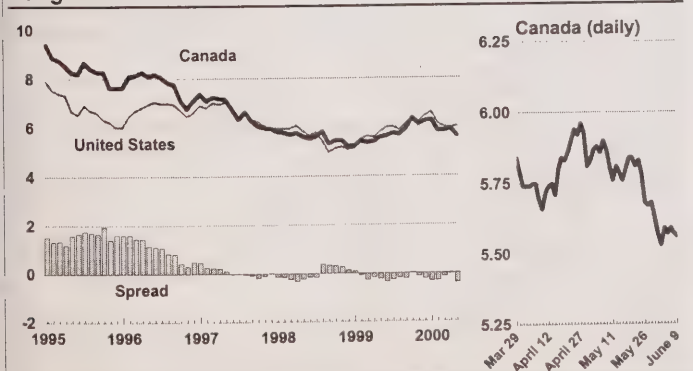


#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Dec 1999	5.27	-0.49	6.23	-0.22
Jan 2000	5.25	-0.64	6.27	-0.33
Feb	5.31	-0.64	5.83	-0.31
March	5.46	-0.72	5.84	-0.15
April	5.62	-0.64	5.92	-0.03
May	5.98	-0.74	5.63	-0.39
June 7	5.91	-0.74	5.59	-0.30

A positive spread indicates that Canadian rates are above their U.S. counterparts.

#### Long-term Bond Yields



#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Dec 1999	5.00	6.50	7.35	8.25
Jan 2000	5.00	6.50	7.60	8.55
Feb	5.25	6.75	7.60	8.55
March	5.50	7.00	7.70	8.35
April	5.50	7.00	7.70	8.35
May	6.00	7.50	8.30	8.75
June 7	6.00	7.50	8.10	8.45







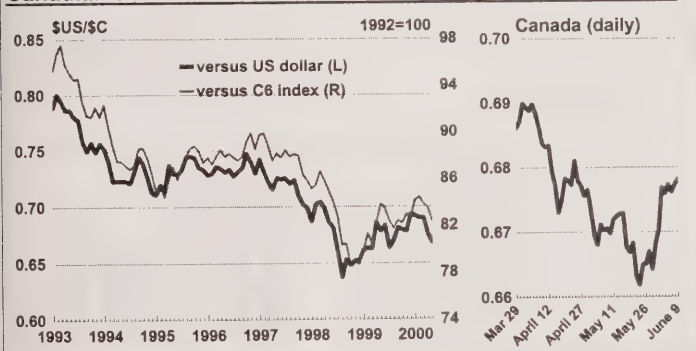
### Canadian stock prices are volatile in May...

- Canadian stock prices were highly volatile in May, with the TSE 300 index displaying no clear trend. The index closed out May at 9,252, down 1.0% on the month, and marking its second consecutive monthly decline. Still, on a year-over-year basis, the TSE is up 35.2%, a much better performance than its American counterparts.
- Indeed, the TSE 300 has one of the best records among all stock market indices with a gain of 7.7% since January. According to Morgan Stanley Capital International, this places Canada among the top performers around the world so far this year, with only Luxembourg, Malaysia and Sweden recording better performances.
- In contrast, the S&P 500 and the Dow Jones are off to their worst starts in ten years. The Dow Jones is down 10.4% and the S&P 500 is down 6.2% on a year-to-date basis.

### ...as is the Canadian dollar

- Higher Canadian interest rates did not provide support to the Canadian dollar. Instead, fears that Canada-U.S. interest rate differentials might widen drove the dollar down to \$US 0.6619 on May 24, its lowest level in almost 10 months. However, the dollar subsequently recouped these losses, closing June 9 at \$US 0.6782.

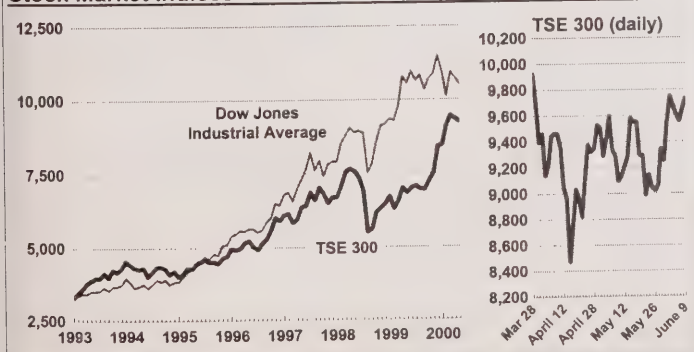
#### Canadian dollar



#### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Dec 1999	0.6929	82.67	1.313	69.66
Jan 2000	0.6918	84.15	1.333	72.77
Feb	0.6898	84.39	1.370	75.43
March	0.6899	83.84	1.388	72.77
April	0.6756	83.47	1.409	71.90
May	0.6682	82.37	1.442	72.41
June 9	0.6782			

#### Stock Market Indices



#### Key Stock Market Indexes

		% change from	
	May Close	last month	last year
TSE 300	9,252	-1.0	35.2
Oil & Gas	7,603	14.8	37.2
Metals & Minerals	3,586	3.3	7.5
Utilities	13,994	-10.8	76.5
Paper & Forest	5,391	-9.3	30.5
Merchandising	5,158	6.8	-5.8
Financial Services	8,419	8.6	4.8
Gold	4,415	4.9	-10.9
Price-Earnings Ratio*	27.8	-0.5	-4.3
S&P 500	1,421	-2.2	9.1
Dow Jones	10,522	-2.0	-0.4

\*columns 2 & 3 reflect change in levels



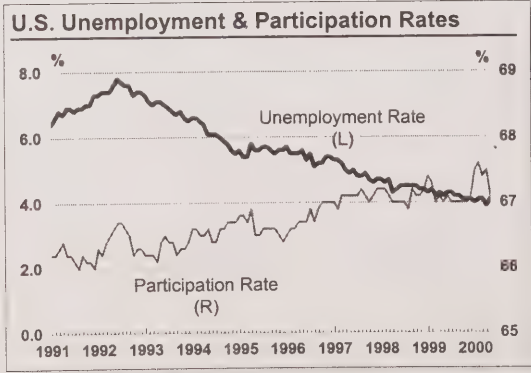
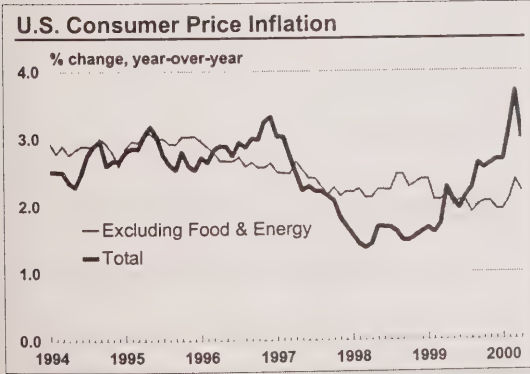
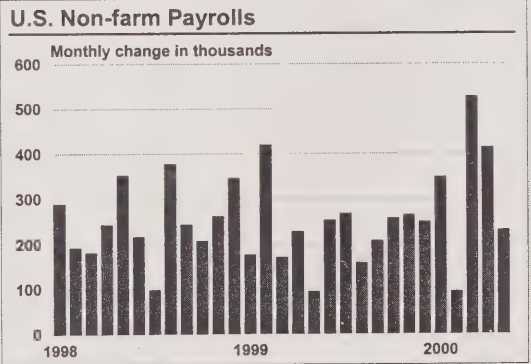
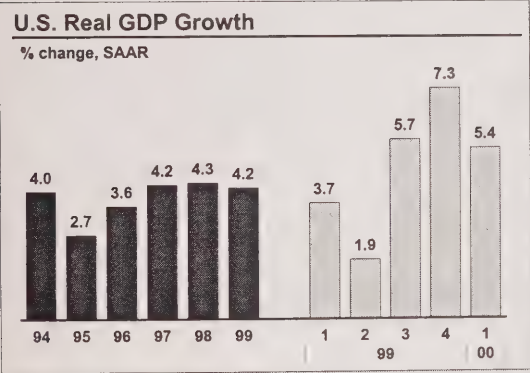


The Federal Reserve boosts interests rates...

- The strong pace of economic growth prompted the Federal Reserve Board to aggressively raise its key federal funds rate by 50 points to 6.5% on May 16. This is the sixth rate hike since last June, but the first 50 basis points increase in six years.
- The Fed's move came amid few signs that inflation was picking up. Indeed, consumer prices were unchanged in April, while producer prices fell 0.3% as energy prices declined on the month.

...as the US economy continues to grow strongly

- Preliminary estimates indicate that real GDP increased a solid 5.4% (annual rate) in the first quarter of 2000, building on a sharp 7.3% gain in the previous period. Production was boosted by strong increases in consumer spending and non-residential fixed investment. Lower inventory investment and an expanded trade deficit moderated overall growth.
- Indeed, the U.S. trade deficit soared to \$30.2 billion in March, the third straight monthly record. A jump in imports (3.4%) widened the deficit despite strong export growth (2.9%).
- U.S. employment rose 231,000 in May, with all gains coming from the Government sector (once again due to the hiring of temporary Census workers). Private-sector employment declined for the first time since a severe winter storm in January 1996. After hitting a 30-year-low in April, the unemployment rate rose 0.2 percentage points to 4.1% in May.





**CANADA**

Survey of Manufacturing – April .....	June 15
Consumer Price Index – May .....	June 16
International Trade – April .....	June 20
GDP at factor cost – April .....	June 30
Labour Force Survey – June .....	July 7
Private and Public Investment Intentions – 2000 (revised) .....	July 19
Financial Statistics For Enterprises – 2nd Quarter 2000 .....	August 30
National Economic & Financial Accounts – 2nd Quarter 2000 .....	August 31
Balance of International Payments – 2nd Quarter 2000 .....	August 31
Capacity Utilization Rates – 2nd Quarter 2000 .....	Sept 8
Business Conditions Survey – October .....	November 2

**UNITED STATES**

Consumer Price Index – May .....	June 14
International Trade – April .....	June 20
Federal Open Market Committee meeting .....	June 27, 28
GDP – 1st Quarter 2000, Final .....	June 29
Employment Situation – June .....	July 7

Note: the June MEI uses data available as of June 9, 2000










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Publications

# MONTHLY ECONOMIC INDICATORS

## July 2000

### HIGHLIGHTS

- 
**Real GDP pauses in April after a strong first quarter, reflecting weakness in the Manufacturing sector.**
- 
**Employment edges lower in June, the first decline in two and a half years. Canada's unemployment rate holds steady at 6.6%.**
- 
**The Canadian stock market performs well, boosted by strong foreign demand for domestic equities.**
- 
**CPI inflation rises to 2.4% in April, boosted by higher energy prices.**
- 
**The Bank of Canada holds rates steady following a 50 basis points hike in May.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	774.6	-0.0	4.3	Apr.
Goods	259.2	-0.2	5.5	Apr.
Services	515.4	0.0	3.7	Apr.
Composite Index	162.7	0.7	8.4	May
Employment (000's)	14,891	-0.1	2.6	June
Full-time	12,174	-0.2	3.2	June
Part-time	2,717	0.4	0.1	June
Unemployment* (%)	6.6	6.6	7.5	June
Youth*	11.8	12.5	13.2	June
Adult*	5.6	5.5	6.4	June
CPI inflation*	2.4	2.1	1.6	May
Retail Sales (\$M)	22,569	-1.2	5.7	Apr.
Housing Starts (000's)	139.3	-1.8	-8.2	June
Trade Balance* (\$M)	3,172	4,113	2,464	Apr.
Exports	32,774	-3.0	14.0	Apr.
Imports	29,602	-0.3	12.6	Apr.
M&E	9,911	2.0	14.8	Apr.
3-mth Corp. paper* (%)	5.87	5.98	4.86	July 5
Long bond yield* (%)	5.53	5.63	5.63	July 5
Canadian dollar* (US¢)	67.51	66.82	68.35	July 7

\*Data in levels only – % change not reported.

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).



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# **MONTHLY ECONOMIC INDICATORS**

## **July 2000**

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This report uses data available as of July 7, 2000. It has been prepared by Marianne Blais, Julie Dubois, Joe Macaluso, Arif Mahmud and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. Translation by Lucie Larocque and production support by Sue Hopf. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).





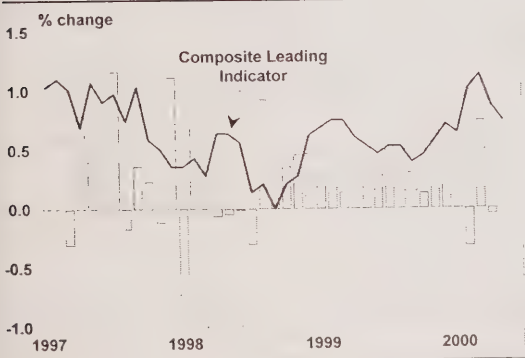
Output declines slightly in April...

- Real GDP at factor cost declined slightly in April following a major advance the previous month. The drop was reflected largely in the goods sector, as activity in the services sector was little changed.

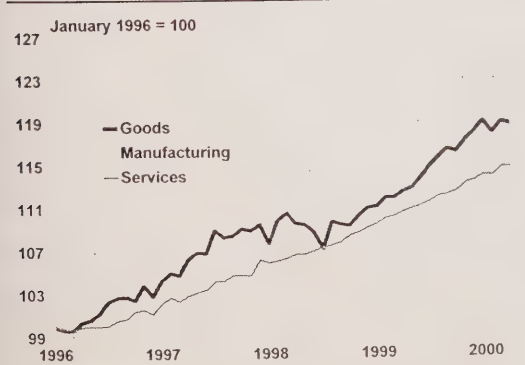
...with offsetting changes across major industry groups

- Goods production decreased 0.2% in April owing primarily to a 0.9% decrease in Manufacturing output. A sharp reduction in automotive production lowered activity 13.4% below last August's peak. Elsewhere in the goods sector, output rose in the Mining sector for the ninth time in 10 months. A significant rise in the Utilities sector was due to the return of more seasonal temperatures east of the Rockies.
- Total output in the Services sector was flat in April, but this masks some significant changes within the major industry groups. Lower output in manufacturing affected the Transportation industry, while weak auto sales cut into Retail activity. The Communications industry benefited from an increase in long-distance telephone use, and computer consulting boosted output of Business Services.

Real GDP at Factor Cost



Real GDP by major sector



Real GDP at Factor Cost (1992 dollars)

April 2000	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	774,562	-369	0.0	4.3
Business sector	644,919	-603	-0.1	5.1
Goods	259,167	-436	-0.2	5.5
Agriculture	13,798	53	0.4	2.9
Fishing & Trapping	749	-19	-2.5	2.2
Logging & Forestry	4,641	-42	-0.9	3.9
Mining*	29,088	499	1.7	12.5
Manufacturing	140,882	-1,217	-0.9	4.5
Construction	43,978	-208	-0.5	6.5
Other Utilities	26,031	498	2.0	3.8
Services	515,395	67	0.0	3.7
Transport & Storage	35,801	-678	-1.9	4.1
Communications	29,630	492	1.7	13.6
Wholesale Trade	46,405	-187	-0.4	1.5
Retail Trade	48,196	-219	-0.5	5.4
Finance & Insurance	44,363	-32	-0.1	7.3
Real Estate & Ins. Agent	81,016	38	0.0	2.5
Business services	46,388	404	0.9	8.7
Government services	46,069	8	0.0	1.8
Education	40,521	176	0.4	0.2
Health & Social Services	47,079	34	0.1	0.0
Accommodation & Food	19,828	29	0.1	0.5
Other	30,099	2	0.0	1.8

\*Includes Quarrying and Crude Petroleum & Natural Gas





Consumer Spending and Attitudes

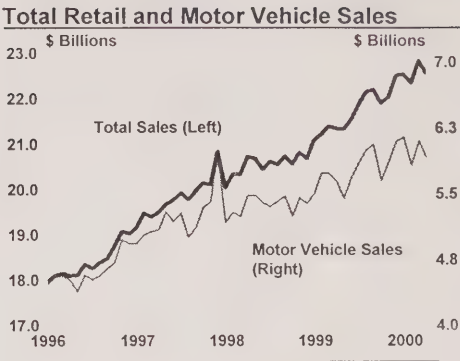


Consumer spending remains solid in the first quarter...

- Real consumption rose 3.4% (annual rate) in the first quarter of 2000, just slightly below the increase posted in the previous quarter.
- Even with a pause in auto sales, consumer spending was led by purchases of durable and semi-durable goods. A high volume of financial market activity boosted expenditures on financial, legal and other services for the fifth straight quarter.

...but may ease in coming quarters

- Recent income gains should help support household spending. Indeed, personal disposable income was up 5.5% (annual rate) in the first quarter, marking the fourth consecutive quarter of growth above 4%. However, recent increases in interest rates and a slower pace of job creation have weakened consumer confidence somewhat.
- Losses in the Automotive sector, Clothing stores and stores selling mostly seasonal products, pushed down retail sales by 1.2% in April. This decline offset about half the 2.2% gain posted in March.

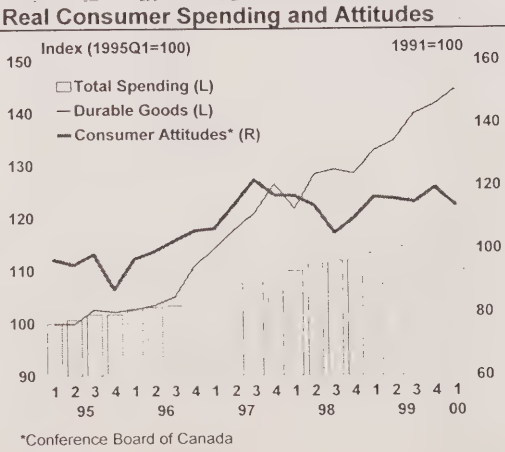


**Retail Sales and Consumer Credit**

	April 2000	% Change since	
		last month	last year
	\$ millions		
Total Retail Sales (S.A.)	22,569	-1.2	5.7
Food	5,067	1.0	3.8
Drug Stores	1,129	1.8	3.0
Clothing	1,219	-3.2	2.1
Furniture	1,260	1.3	17.3
Automotive	8,936	-3.4	7.3
General Merch. Stores	2,555	0.8	4.2
All other Stores	2,405	-0.9	3.4
Total ex. motor vehicles	16,654	-0.5	6.1
Consumer Credit (unadjusted)	177,622	0.5	8.5

Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)				
	1998	1999	1999 Q4	2000 Q1
Real Consumption (92\$)	487,866	504,763	512,468	516,804
% change	2.9	3.5	3.7	3.4
Durable Goods	66,487	71,859	74,136	75,604
% change	5.9	8.1	5.2	8.2
Semi-Durable Goods	45,751	47,103	47,544	48,516
% change	4.4	3.0	-0.3	8.4
Non-Durable Goods	120,795	123,344	124,580	125,012
% change	1.7	2.1	3.2	1.4
Services	254,833	262,457	266,208	267,672
% change	2.5	3.0	4.2	2.2
Disposable Income	567,960	590,608	600,560	608,680
% change	3.9	4.0	4.5	5.5
Saving Rate (%)	4.5	3.7	3.2	3.4
Debt-to-Income Ratio (%)	94.9	96.1	96.4	96.3





Business Investment in Plant and Equipment



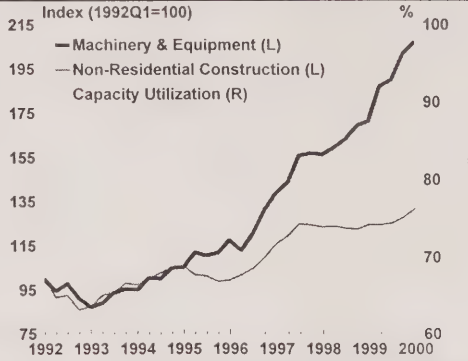
Business investment advances strongly in the first quarter...

- Business investment in plant and equipment rose 11.2% (annual rate) in the first quarter, following an even larger surge in the fourth quarter. Spending on M&E increased 10.5%, largely on the strength of purchases of computers and other office equipment.
- Non-Residential Construction was up 12.5% on the quarter. Activity in the oil patch has been driven higher by rising energy prices.

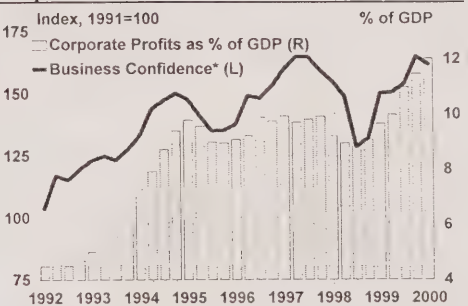
...and is well positioned for further growth throughout the year

- The investment outlook for the rest of 2000 is positive. Following a strong rebound in 1999, corporate operating profits continued their upward trend in the first quarter of 2000. Given high rates of capacity utilization, further investments in plant and equipment will be required to satisfy strong domestic and international demand for industrial products.
- Indeed, imports of machinery and equipment rose 2.0% in April, building on a strong rise in March. However, non-residential construction was down 0.9% in April following a similar rise in March.

Investment in Plant and Equipment



Corporate Profits & Business Confidence



\*Conference Board of Canada

Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q2	1999 Q3	1999 Q4	2000 Q1
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	65,357	75,557	75,396	76,508	81,248	83,304
% change	9.0	15.6	41.9	6.0	27.2	10.5
Non-residential Construction (1992\$)	39,502	40,288	39,956	40,200	41,040	42,264
% change	1.7	2.0	0.0	2.5	8.6	12.5
Capacity Utilization (% , Non-farm goods)	83.3	84.8	83.8	85.7	86.5	87.6
Capacity Utilization (Mfg. sector)	83.8	85.7	84.5	86.8	87.2	87.9
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	142,296.0	174,317.0	170,760.0	181,716.0	189,792.0	213,156.0
% change	-13.3	22.5	47.3	28.2	19.0	59.1
Profits - Non-financial industries	94,891.0	123,372.0	117,724.0	129,740.0	135,332.0	147,744.0
% change	-13.6	30.0	27.9	47.5	18.4	42.0
Profits - Financial industries	47,406.0	50,945.0	53,036.0	51,976.0	54,460.0	65,412.0
% change	-12.5	7.5	105.3	-7.8	20.5	108.1
Business Credit	686,869.4	717,831.1	711,296.7	720,869.7	730,899.0	741,583.3
% change	10.0	4.5	1.7	5.5	5.7	6.0





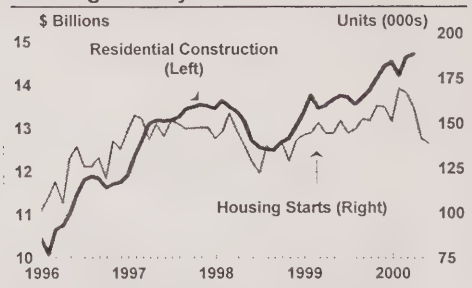
### *The housing market posts a healthy gain in the first quarter...*

- Investment in residential construction grew a solid 9.8% in the first quarter of 2000, building on an even stronger advance in the previous quarter.
- Spending on alterations and improvements surged for the second consecutive quarter, and the resale market remained strong. However, new housing construction slowed from a sharp advance posted in the fourth quarter.

### *...but growth may slow over the course of the year*

- Higher mortgage rates, increased housing prices and recent weakness in sales of existing homes (albeit in comparison with record 1999 levels) all point to an unsettled outlook for the housing market.
- Residential construction activity was relatively flat in April, while sales of existing homes were down 8.4%. Housing starts declined in April for the fourth straight month, with part of the drop attributed to a strike in Toronto's construction sector. Despite these signs of weakness, residential building permits were up 9.0% in the first five months of the year compared to the same period last year.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since last month	last year
Residential Construction (1) (\$92M, factor cost basis)	14,720	0.4%	8.7%
Building Permits, \$M (2)	1,647	6.7%	-1.7%
Sales of Existing Homes (2) (# of units)	19,641	566	
Housing Starts, # of units (3)	139,300	-2,500	-12,400
Newfoundland	800	-300	-600
Prince Edward Island	400	0	-100
Nova Scotia	2,800	-900	-1,800
New Brunswick	1,400	-100	-1,800
Quebec	16,500	-500	-7,200
Ontario	57,200	4,000	-14,500
Manitoba	1,600	300	-1,200
Saskatchewan	2,500	500	-300
Alberta	20,700	-4,300	-6,300
British Columbia	12,100	-1,200	-1,900

1 - April data; 2 - May data; 3 - June data

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

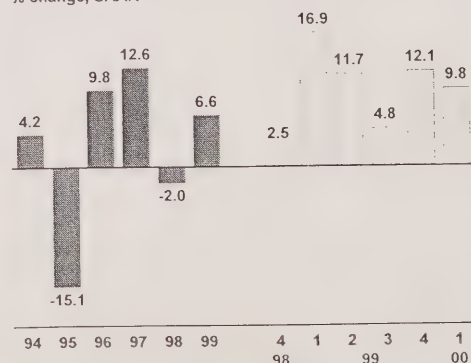
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q4	2000 Q1
Residential Construction	41,523	44,259	45,760	46,844
% change	-2.0	6.6	11.8	9.8
Construction by Business sector	41,277	43,983	45,496	46,572
% change	-2.0	6.6	12.1	9.8
New Housing	20,701	22,258	23,472	23,652
% change	-3.5	7.5	21.3	3.1
Alterations & Improvements	13,640	14,399	14,848	15,520
% change	2.4	5.6	19.9	19.4
Ownership & Transfer Costs	7,182	7,259	7,440	7,672
% change	-5.7	1.1	-23.2	13.1

### Growth in Real Residential Construction

% change, SAAR









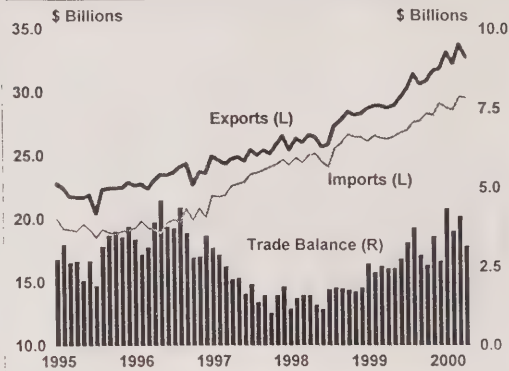
### Exports fall sharply in April...

- Exports fell 3.0% in April after a significant rebound in March. Although most major commodity groups registered losses on the month, the decline was led by exports of Automotive Products, Energy Products, and Industrial Goods & Materials. The drop in the value of Energy exports was due almost entirely to lower prices rather than volumes.
- Imports declined by only 0.3% compared to a rise of 3.7% the previous month. Declines in most major categories – notably Automotive Products – were largely offset by increased imports of investment-related machinery and equipment. Lower imports of Automotive Products reflects the general weakening of activity in the auto sector

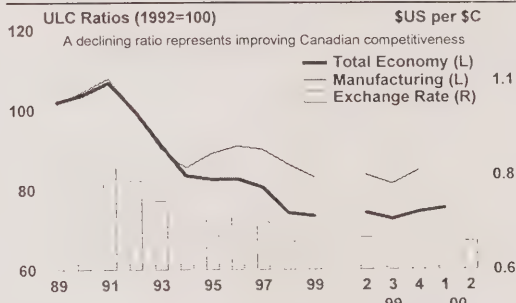
### ...leading to a lower trade surplus

- As the drop in exports eclipsed the decline in imports, Canada's merchandise trade surplus fell to \$3.2 billion in April.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

### Merchandise Trade

April 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	March 2000	April 2000	1999 Jan-Apr	2000 Jan-Apr	Mar to Apr 2000	Mar to Apr 2000	Mar to Apr 2000	Apr 1999 to Apr 2000
<b>Exports</b>	<b>33,795</b>	<b>32,774</b>	<b>115,312</b>	<b>132,011</b>	<b>-1,021</b>	<b>-3.0</b>		<b>14.0</b>
to United States	28,877	28,428	98,730	113,306	-449	-1.6		14.9
<b>Imports</b>	<b>29,682</b>	<b>29,602</b>	<b>105,376</b>	<b>116,719</b>	<b>-80</b>	<b>-0.3</b>		<b>12.6</b>
from United States	22,242	21,979	81,338	87,369	-263	-1.2		8.5
<b>Trade Balance</b>	<b>4,113</b>	<b>3,172</b>	<b>9,936</b>	<b>15,292</b>	<b>-941</b>			
with United States	6,635	6,449	17,392	25,937	-186			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,276	2,191	8,289	8,796	-85	-3.7		10.5
Energy Products	3,576	3,310	7,662	13,732	-266	-7.4		52.4
Forestry Products	3,503	3,535	12,538	14,069	32	0.9		9.3
Industrial Goods & Materials	5,405	5,124	18,493	20,839	-281	-5.2		12.2
Machinery & Equipment	8,393	8,275	27,557	32,242	-118	-1.4		19.3
Automotive Products	8,289	7,907	31,693	32,856	-382	-4.6		4.1
Other Consumer Goods	1,160	1,168	4,510	4,639	8	0.7		2.0
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,507	1,448	5,860	5,953	-59	-3.9		-1.8
Energy Products	1,376	1,311	2,774	5,218	-65	-4.7		61.5
Forestry Products	262	255	888	1,000	-7	-2.7		9.4
Industrial Goods & Materials	5,964	5,918	20,125	23,092	-46	-0.8		18.0
Machinery & Equipment	9,716	9,911	35,032	38,569	195	2.0		14.8
Automotive Products	6,531	6,367	24,638	25,745	-164	-2.5		4.0
Other Consumer Goods	3,266	3,329	12,009	12,914	63	1.9		12.1









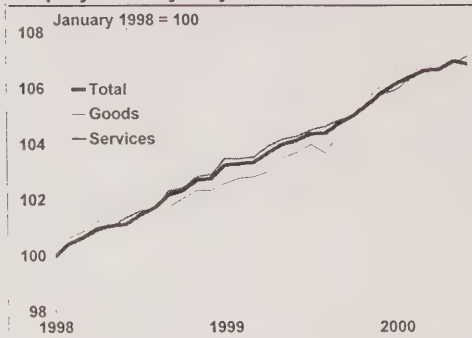
### Job losses are concentrated in Goods-producing industries...

- Employment was down 41,000 in the Goods sector in June, led by losses in Manufacturing and Construction. Manufacturing has weakened considerably in recent months, and Construction posted its fourth straight monthly drop in employment.
- Employment was up 27,000 in the Service sector. The largest gains were posted by Management, Administrative & Other Support Services and Educational Services. Lower employment in the Transportation industry mirrors the slowdown in Manufacturing activity.

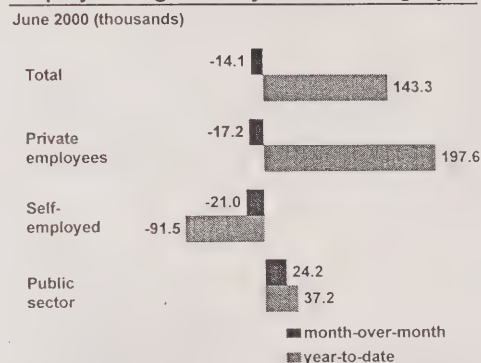
### ...and in the private sector

- Public sector employment rose 24,000 in June, bringing gains over the past year to 86,000. Although the number of jobs in Public Administration is down, gains have been recorded in Education and Health & Social Services.
- By contrast, private-sector employment was weak in June. The number of paid employees in the private sector decreased by 17,000, and self-employment fell by 21,000.

### Employment by major sector



### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 June	2000 May	2000 June	last month	last year	year-to-date	last month	last year
<b>Goods-producing</b>	3,778.6	3,906.2	3,864.8	-41.4	86.2	-0.5	-1.1	2.3
Agriculture	411.1	386.8	377.0	-9.8	-34.1	-22.1	-2.5	-8.3
Natural Resources*	262.8	290.3	286.6	-3.7	23.8	11.3	-1.3	9.1
Utilities	116.8	117.0	117.0	0.0	0.2	1.6	0.0	0.2
Construction	772.2	818.5	808.5	-10.0	36.3	1.1	-1.2	4.7
Manufacturing	2,215.6	2,293.5	2,275.7	-17.8	60.1	7.5	-0.8	2.7
<b>Services-producing</b>	10,732.1	10,998.6	11,026.0	27.4	293.9	143.8	0.2	2.7
Trade	2,246.3	2,308.0	2,303.5	-4.5	57.2	31.8	-0.2	2.5
Transportation	743.7	790.7	780.0	-10.7	36.3	15.8	-1.4	4.9
FIRE*	862.8	853.8	862.5	8.7	-0.3	-2.8	1.0	-0.0
Professional/Scientific	898.4	935.2	933.5	-1.7	35.1	7.0	-0.2	3.9
Management/Administrative	511.7	532.6	550.7	18.1	39.0	33.2	3.4	7.6
Educational Services	978.3	966.4	981.2	14.8	2.9	-20.5	1.5	0.3
Health Care/Social Assistance	1,451.3	1,547.4	1,543.4	-4.0	92.1	71.5	-0.3	6.3
Information/Culture/Recreation	623.0	659.2	663.2	4.0	40.2	27.0	0.6	6.5
Accommodation & Food	916.7	974.0	974.1	0.1	57.4	23.5	0.0	6.3
Other Services	724.0	678.9	689.0	10.1	-35.0	-19.9	1.5	-4.8
Public Administration	775.8	752.3	744.8	-7.5	-31.0	-23.0	-1.0	-4.0

\*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.







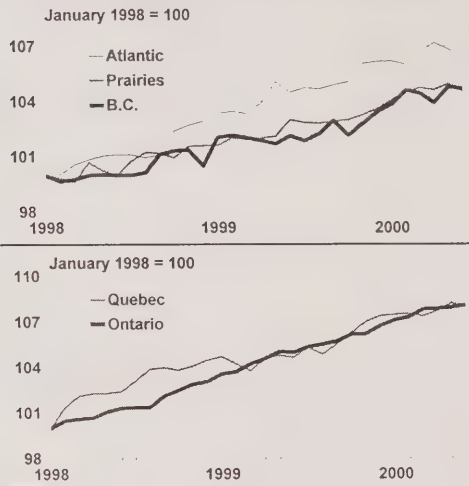
*Employment losses are widespread across the regions...*

- Employment was down in all provinces except Ontario and Manitoba in June. In percentage terms, the biggest job losses were in Prince Edward Island, Saskatchewan and Newfoundland.
- Still, all provinces have registered employment growth on a year-over-year basis.

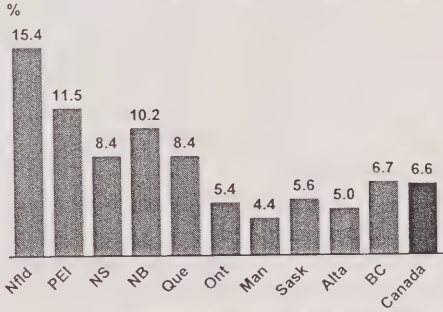
*...but unemployment rates hold steady in most provinces*

- There was little or no change in most provincial unemployment rates in June. The biggest increases were in Prince Edward Island and Saskatchewan, where employment was down sharply.
- The biggest drop in unemployment rates was in Newfoundland, which also posted a substantial loss of jobs in June. However, these losses were more than offset by an even bigger decline in the labour force. Newfoundland's unemployment rate remains the highest among all provinces (15.4%).
- The lowest unemployment rate was recorded in Manitoba. Rates tend to be lowest in the Prairies and Ontario, and tend to be the highest in Atlantic Canada.

Regional employment patterns



Unemployment Rates -- June 2000



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment rate (%)		
	<u>Levels</u>	<u>Change since</u>		<u>Change since</u>		<u>Levels</u>	<u>Change since</u>	
	2000 June	<u>last month</u>		<u>last year</u>			<u>last month</u>	<u>last year</u>
		(000's)	%	(000's)	%			
Canada	14,890.8	-14.1	-0.1	380.1	2.6	6.6	0.0	-0.9
Newfoundland	205.6	-1.7	-0.8	0.5	0.2	15.4	-0.7	-1.7
P.E.I.	63.8	-1.8	-2.7	2.5	4.1	11.5	1.0	-2.3
Nova Scotia	419.8	-0.5	-0.1	9.2	2.2	8.4	0.2	-0.6
New Brunswick	331.2	-0.2	-0.1	6.0	1.8	10.2	0.0	1.4
Quebec	3,446.1	-6.4	-0.2	107.5	3.2	8.4	-0.1	-1.0
Ontario	5,846.7	8.0	0.1	167.0	2.9	5.4	-0.1	-0.7
Manitoba	555.3	0.8	0.1	11.1	2.0	4.4	-0.2	-1.3
Saskatchewan	485.5	-4.4	-0.9	4.2	0.9	5.6	0.6	0.0
Alberta	1,585.3	-5.8	-0.4	24.4	1.6	5.0	0.3	-0.5
B.C.	1,951.5	-2.1	-0.1	47.6	2.5	6.7	-0.1	-2.0





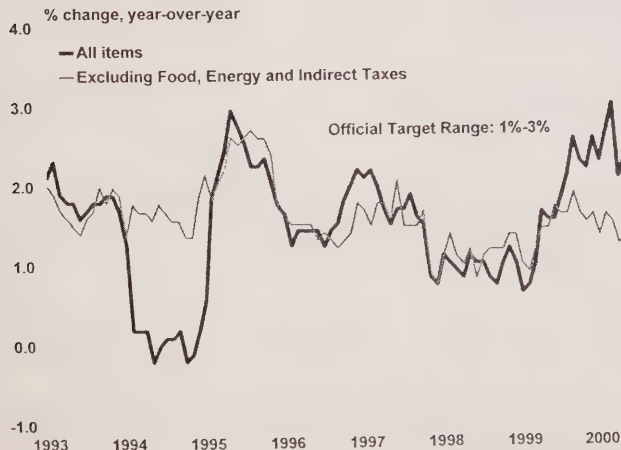
### Higher energy prices drive up inflation in May...

- Consumer prices were up 2.4% in May on a year-over-year basis, boosted by a 14.1% increase in energy prices. Higher mortgage interest costs and tuition fees also contributed to the rise in the CPI in May. These increases were partly offset by lower prices for fresh fruit, computer equipment and supplies, and purchases of automotive vehicles.
- On a monthly basis, consumer prices increased 0.5% in May, mostly owing to higher prices for accommodation, fresh fruit and vegetables, gasoline, natural gas and mortgage interest costs.

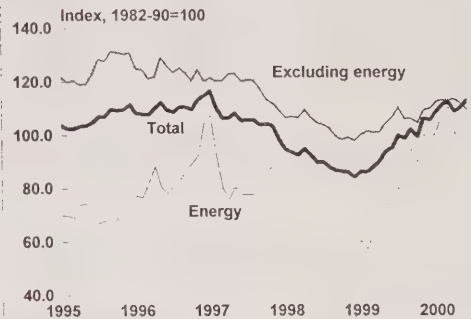
### ...but the "core" rate remains in the bottom of the official target range

- Excluding energy, food and indirect taxes, the "core" rate of inflation was 1.3% in May, remaining near the bottom of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices were up 18.1% in June on a year-over-year basis. The bulk of this increase was due to energy prices, which surged 58.8%. The index excluding energy prices increased by only 2.7%, its smallest rise in a year.

#### Consumer Price Index



#### Commodity Prices (\$U.S. basis)



#### Consumer Prices

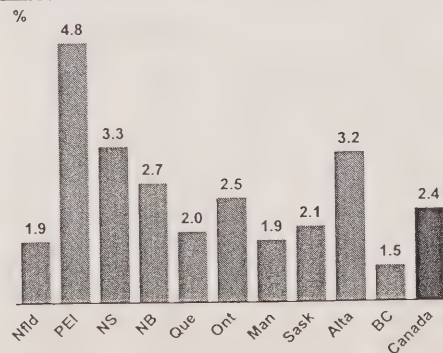
May 2000

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	113.0	0.5	2.4
Food	112.1	0.7	0.9
Shelter	107.8	0.3	3.1
Household operations	109.6	0.1	0.5
Clothing & Footwear	104.7	-0.4	-0.2
Transportation	129.9	0.5	4.7
Health & Personal Care	112.1	0.5	1.5
Recreation, Educ. & Reading	122.7	1.4	2.6
Alcohol & Tobacco	97.4	0.6	2.9
Excl. Food/Energy/Indirect Taxes	113.3	0.3	1.3
Energy	123.7	1.2	14.1

#### Commodity Prices (June)

Index, 1982-90=100	112.7	2.0	18.1
Excluding Energy	109.6	-1.8	2.7
Energy	118.3	9.1	58.8

#### Provincial CPI Inflation -- May 2000







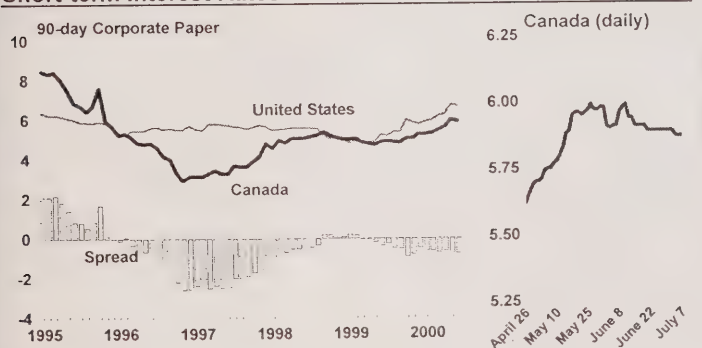
### *The Bank of Canada leaves its trendsetting rate unchanged in June...*

- After hiking rates 50 basis points in May, the Bank of Canada left its trend-setting Bank rate unchanged at 6.0% in June. This followed several economic reports which suggested that previous interest rate hikes and slower growth in the U.S. may have started to cool off the Canadian economy.
- Market-determined short-term interest rates increased early in the month, reaching a peak of 6.0% on June 12. However, rates fell back to around 5.9% once fears of an interest rate hike at the end of the month were lessened.
- The gap between Canadian and U.S. short-term interest rates was virtually unchanged in June, with Canadian rates 78 basis points below their American counterparts at the close of the month.

### *...and long-term yields end the month at par with May's close*

- Long-term bond yields were relatively stable throughout most of June. The only exception was a short-lived run-up in yields that peaked at 5.7% on June 23. Long rates soon fell back again, however, to close out June at 5.6%, virtually unchanged from May.
- Canadian long-term bond yields are currently below domestic short rates, and remain close to 40 basis points below comparable U.S. yields.

#### Short-term Interest Rates

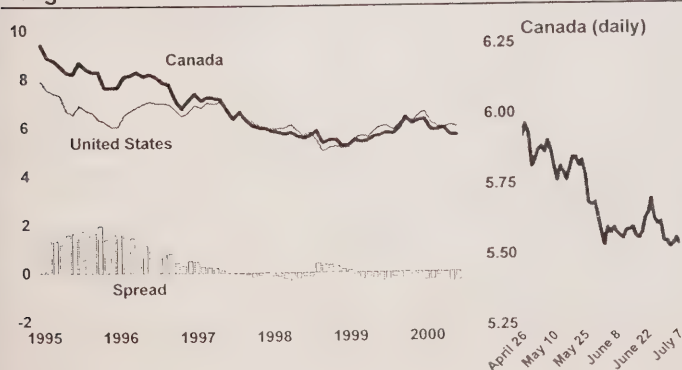


#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Jan 2000	5.25	-0.64	6.27	-0.33
Feb	5.31	-0.64	5.83	-0.31
March	5.46	-0.72	5.84	-0.15
April	5.62	-0.64	5.92	-0.03
May	5.98	-0.74	5.63	-0.39
June	5.89	-0.78	5.61	-0.36
July 5	5.87	-0.75	5.53	-0.33

A positive spread indicates that Canadian rates are above their U.S. counterparts.

#### Long-term Bond Yields



#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Jan 2000	5.00	6.50	7.60	8.55
Feb	5.25	6.75	7.60	8.55
March	5.50	7.00	7.70	8.35
April	5.50	7.00	7.70	8.35
May	6.00	7.50	8.30	8.75
June	6.00	7.50	8.10	8.45
July 5	6.00	7.50	8.10	8.45





# PRICES and FINANCIAL MARKETS

## Exchange Rates and Stock Prices



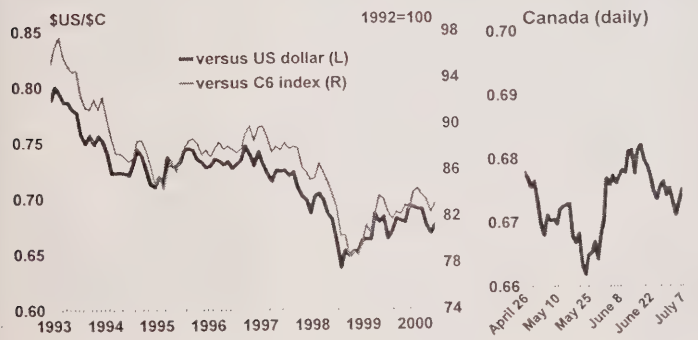
### Canadian stock prices rebound in June...

- The TSE 300 advanced 10.2% in June following declines in April and May. The index ended the month above the 10,000 mark and continued to trend up early in July, closing out July 7 at 10,380. The TSE 300 has recorded a solid 20.2% gain since January, partly as a result of heavy foreign demand for Canadian stocks. This heavy demand may stem in part from the relatively poor performances of the major U.S. stock indices over this period.
- The solid performance of the TSE 300 so far this year has brought the Canadian index almost at par with the Dow Jones. As of July 7, the TSE 300 was only 255 points below the U.S. index, compared to a gap of 4,000 points one year ago.

### ...and the Canadian dollar edges up

- The Canadian dollar rebounded slightly from its recent downward trend in June, as an increasing number of investors have come to expect that interest rates will remain unchanged on both sides of the border. The Canadian dollar gained steadily throughout the first half of the month, reaching a high of \$US 0.6821 on June 19. The dollar subsequently lost some of this momentum, closing at \$US 0.6754 on July 7.

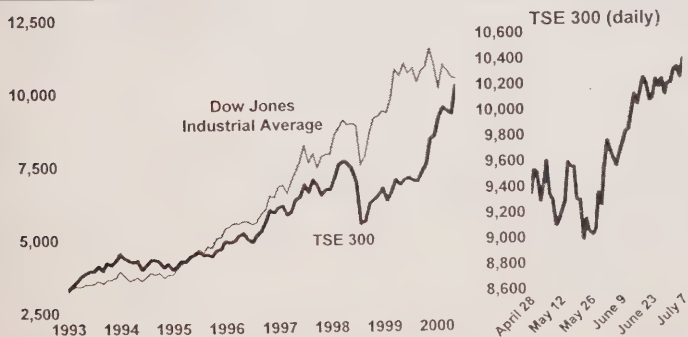
#### Canadian dollar



#### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Jan 2000	0.6918	84.15	1.333	72.77
Feb	0.6898	84.39	1.370	75.43
March	0.6899	83.84	1.388	72.77
April	0.6756	83.47	1.409	71.90
May	0.6682	82.37	1.442	72.41
June	0.6754	83.06	1.393	71.84
July 7	0.6751			

#### Stock Market Indices



#### Key Stock Market Indexes

		% change from	
	June Close	last month	last year
TSE 300	10,195	10.2	45.4
Oil & Gas	7,480	-1.6	25.7
Metals & Minerals	3,330	-7.2	-12.4
Utilities	14,207	1.5	73.8
Paper & Forest	4,944	-8.3	1.8
Merchandising	5,204	0.9	-4.7
Financial Services	8,377	-0.5	12.0
Gold	4,458	1.0	-15.4
Price-Earnings Ratio*	30.3	2.5	-3.1
S&P 500	1,455	2.4	6.0
Dow Jones	10,448	-0.7	-4.8

\*columns 2 & 3 reflect change in levels





## U.S. Economic Trends

### *The US economy continues to grow strongly in the first quarter...*

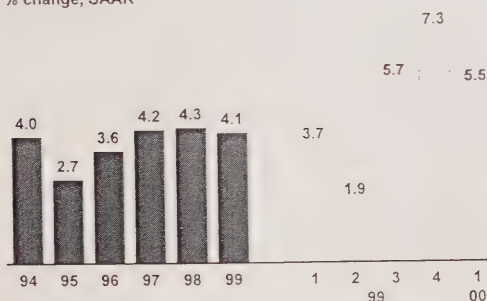
- Final estimates indicate that real GDP increased a solid 5.5% (annual rate) in the first quarter of 2000, building on a sharp 7.3% gain in the previous period. Production was boosted by strong increases in consumer spending and non-residential fixed investment. Lower inventory investment and an expanded trade deficit moderated overall growth.
- After soaring to an all-time high in March (and for the first quarter of 2000), the U.S. trade deficit narrowed slightly to \$30.4 billion in April. Lower imports (-0.2%) pulled down the deficit as exports were virtually unchanged from March.
- U.S. employment rose 11,000 in June, the smallest increase in 4 1/2 years. Private-sector employment jumped up by 206,000, following a decline in May, but this was largely offset by a decline in government employment attributed to the departure of 190,000 temporary Census workers. The unemployment rate edged down to 4% in June.

### *... but the Fed leaves interest rates unchanged*

- In a widely anticipated move, the Federal Open Market Committee left interest rates unchanged at 6.5% at its June 28 meeting. The Fed cited some signs of a slowing economy, but signalled that it remained concerned over the outlook for inflation, leaving the door open for a rate hike at its August meeting.
- For the most part, cost pressures remain in check. Producer prices were unchanged in May, consumer prices advanced 0.1% on the same month, while average hourly earnings rose 0.4% in June.

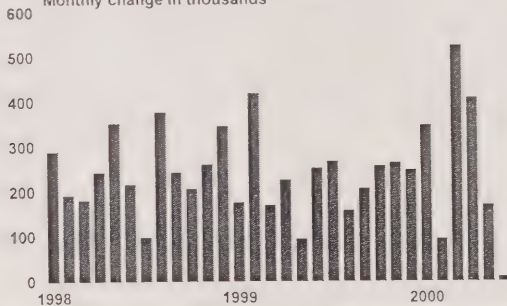
#### U.S. Real GDP Growth

% change, SAAR



#### U.S. Non-farm Payrolls

Monthly change in thousands



#### U.S. Consumer Price Inflation

% change, year-over-year



#### U.S. Unemployment & Participation Rates







CANADA

Consumer Price Index – June .....	July 13
International Trade – May .....	July 19
Private and Public Investment Intentions – 2000 (revised) .....	July 19
Survey of Manufacturing – May .....	July 20
GDP at factor cost – May .....	July 31
Business Conditions Survey – July .....	August 1
Labour Force Survey – July .....	August 4
Financial Statistics For Enterprises – 2nd Quarter 2000 .....	August 30
National Economic & Financial Accounts – 2nd Quarter 2000 .....	August 31
Balance of International Payments – 2nd Quarter 2000 .....	August 31
Capacity Utilization Rates – 2nd Quarter 2000 .....	Sept 8

UNITED STATES

Consumer Price Index – June .....	July 18
International Trade – May .....	July 19
GDP – 2nd Quarter 2000, Advance .....	July 28
Employment Situation – July .....	August 4
Federal Open Market Committee meeting .....	August 22

Note: the July MEI uses data available as of July 7, 2000










# MONTHLY ECONOMIC INDICATORS

## August 2000

### HIGHLIGHTS

-  **Output rebounds in May, boosted by a recovery in the auto sector and strength in high-tech.**
-  **Employment falls in July for the second straight month, raising Canada's unemployment rate to 6.8%.**
-  **CPI inflation rises to 2.9% in June. Still, excluding food, energy and indirect taxes, inflation stays within the bottom half of the official target range.**
-  **Canadian stocks continue to outpace U.S. equities, with the TSE 300 index surpassing the Dow Jones for the first time in over five years.**
-  **The U.S. economy sustains solid growth into the second quarter, with another surge in productivity.**

### Key Monthly Economic Indicators

		% Change since		
		last	last	
		month	year	
Real GDP (\$92 B)	779.9	0.6	4.8	May
Goods	262.0	0.9	6.6	May
Services	517.9	0.5	3.9	May
Composite Index	163.0	0.4	8.1	June
Employment (000's)	14,874	-0.1	2.3	July
Full-time	12,179	0.0	2.8	July
Part-time	2,694	-0.8	-0.2	July
Unemployment* (%)	6.8	6.6	7.6	July
Youth*	12.6	11.8	13.9	July
Adult*	5.6	5.6	6.3	July
CPI inflation*	2.9	2.4	1.6	June
Retail Sales (\$M)	22,675	0.4	6.2	May
Housing Starts (000's)	165.0	22.2	13.9	July
Trade Balance* (\$M)	3,748	2,957	2,465	May
Exports	34,299	4.6	18.4	May
Imports	30,551	2.4	15.3	May
M&E	10,354	3.8	18.5	May
3-mth Corp. paper* (%)	5.90	5.89	4.91	Aug 2
Long bond yield* (%)	5.50	5.61	5.74	Aug 2
Canadian dollar* (US¢)	67.14	67.54	66.39	Aug 4

\*Data in levels only – % change not reported.

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).





# **MONTHLY ECONOMIC INDICATORS**

## **August 2000**

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This report uses data available as of August 4, 2000. It has been prepared by Marianne Blais, Eric Chalifoux, Julie Dubois, Joe Macaluso, Alison McDermott, Arif Mahmud and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).





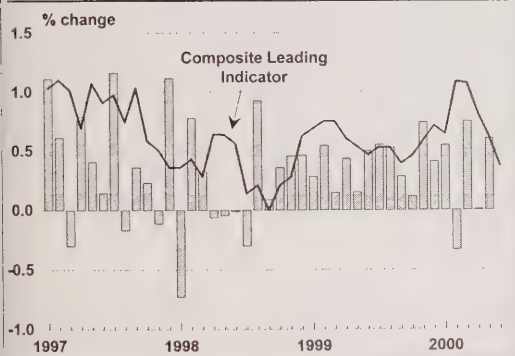
### Output advances in May...

- Real GDP at factor cost increased 0.6% in May, rebounding strongly following a slight pause in the previous month. May's rise was attributed to strength in both the goods and services sectors, including a recovery in Manufacturing and strong performance from high-tech industries.

### ...with gains across most major industry groups

- Goods production increased 0.9% in May owing primarily to a sharp 1.7% rise in Manufacturing output. Higher automotive production played an important role in this rebound, but output in this industry is down 5.1% from its recent cyclical peak amid signs of moderating auto sales. Production of electrical and electronic goods was also higher, especially among manufacturers of telecommunications, computers and other related equipment. Construction activity was adversely affected by a cement drivers' strike in Toronto (this strike ended in mid-June).
- Total output in the Services sector rose 0.5% in May, led by gains in Transportation and Wholesaling. While retail activity showed little change, Business Services rose 0.6%, driven by gains in computer and other high-tech consulting firms.

Real GDP at Factor Cost



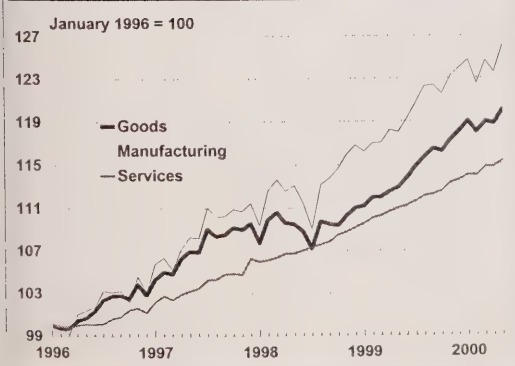
Real GDP at Factor Cost (1992 dollars)

May 2000

	\$ millions	monthly change	% Change since last	
			month	year
<b>Total Economy</b>	<b>779,864</b>	<b>4,672</b>	<b>0.6</b>	<b>4.8</b>
<b>Business sector</b>	<b>649,866</b>	<b>4,308</b>	<b>0.7</b>	<b>5.6</b>
<b>Goods</b>	<b>261,971</b>	<b>2,212</b>	<b>0.9</b>	<b>6.6</b>
Agriculture	13,761	-37	-0.3	2.5
Fishing & Trapping	756	7	0.9	-6.8
Logging & Forestry	4,739	98	2.1	4.9
Mining*	29,286	175	0.6	11.4
Manufacturing	143,745	2,387	1.7	6.9
Construction	42,925	-887	-2.0	4.0
Other Utilities	26,759	469	1.8	6.6
<b>Services</b>	<b>517,893</b>	<b>2,460</b>	<b>0.5</b>	<b>3.9</b>
Transport & Storage	36,340	496	1.4	4.8
Communications	29,761	131	0.4	11.8
Wholesale Trade	47,425	861	1.8	3.8
Retail Trade	48,191	-7	-0.0	4.9
Finance & Insurance	44,284	58	0.1	7.8
Real Estate & Ins. Agent	81,271	261	0.3	2.5
Business services	46,652	301	0.6	8.4
Government services	46,241	214	0.5	1.9
Education	40,584	63	0.2	0.4
Health & Social Services	47,186	35	0.1	0.4
Accommodation & Food	19,816	-12	-0.1	1.1
Other	30,142	59	0.2	1.7

\*Includes Quarrying and Crude Petroleum & Natural Gas

Real GDP by major sector









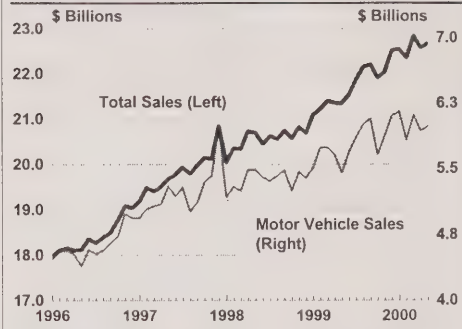
### Consumer spending remains solid in the first quarter...

- Real consumption rose 3.4% (annual rate) in the first quarter of 2000, just slightly below the increase posted in the previous quarter.
- Even with a pause in auto sales, consumer spending was led by purchases of durable and semi-durable goods. A high volume of financial market activity boosted expenditures on financial, legal and other services for the fifth straight quarter.

### ...but may ease in coming quarters

- Recent income gains should help support household spending. Indeed, personal disposable income was up 5.5% (annual rate) in the first quarter, marking the fourth consecutive quarter of growth above 4%. However, recent increases in interest rates and a slower pace of job creation have weakened consumer confidence somewhat.
- Retail sales increased 0.4% in May, led by gains in the Automotive sector. Still, sales over the April-May period averaged only 0.2% higher than in the first quarter. In other related indicators, an increase in auto sales is expected for June, but employment weakened considerably in June and July.

### Total Retail and Motor Vehicle Sales



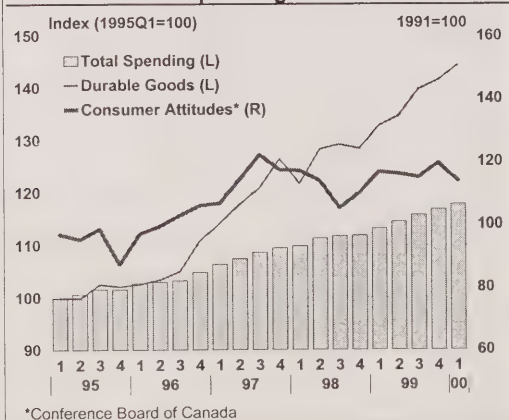
### Retail Sales and Consumer Credit

May 2000	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	22,675	0.4	6.2
Food	5,030	-1.3	2.5
Drug Stores	1,129	0.1	2.6
Clothing	1,230	0.6	2.0
Furniture	1,251	-0.4	11.3
Automotive	9,065	1.5	11.2
General Merch. Stores	2,562	0.3	2.6
All other Stores	2,408	0.8	1.8
Total ex. motor vehicles	16,691	0.2	5.0
Consumer Credit (unadjusted)	179,718	1.2	9.1

### Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)	1998		1999		1999 Q4	2000 Q1
Real Consumption (92\$)	487,866	504,763	512,468	516,804		
% change	2.9	3.5	3.7	3.4		
Durable Goods	66,487	71,859	74,136	75,604		
% change	5.9	8.1	5.2	8.2		
Semi-Durable Goods	45,751	47,103	47,544	48,516		
% change	4.4	3.0	-0.3	8.4		
Non-Durable Goods	120,795	123,344	124,580	125,012		
% change	1.7	2.1	3.2	1.4		
Services	254,833	262,457	266,208	267,672		
% change	2.5	3.0	4.2	2.2		
Disposable Income	567,960	590,608	600,560	608,680		
% change	3.9	4.0	4.5	5.5		
Saving Rate (%)	4.5	3.7	3.2	3.4		
Debt-to-Income Ratio (%)	94.9	96.1	96.4	96.3		

### Real Consumer Spending and Attitudes



\*Conference Board of Canada

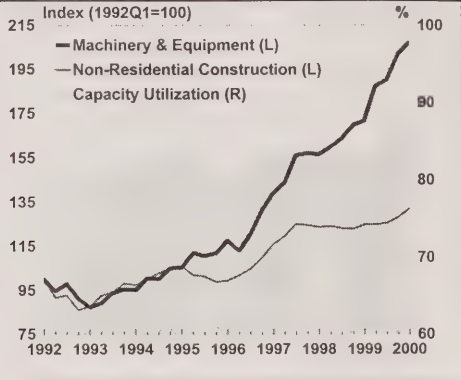




*Business investment advances strongly in the first quarter...*

- Business investment in plant and equipment rose 11.2% (annual rate) in the first quarter, following an even larger surge in the fourth quarter. Spending on M&E increased 10.5%, mainly on the strength of purchases of computers and other office equipment.
- Non-Residential Construction was up 12.5% on the quarter. Activity in the oil patch has been driven higher by rising energy prices.

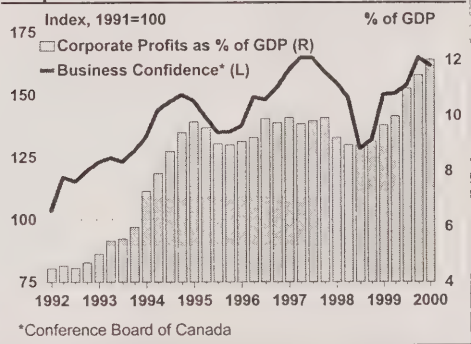
Investment in Plant and Equipment



*...and is well positioned for further growth throughout the year*

- The investment outlook for the rest of 2000 is positive given strength in corporate operating profits and high rates of capacity utilization. Indeed, according to the most recent survey of investment intentions, investment in plant and equipment should increase 5.1% overall in 2000.
- Imports of machinery and equipment increased 3.8% in May, building on a strong 2.0% rise in April. However, the strike by Toronto cement workers lowered non-residential construction activity by 2.7% in May.

Corporate Profits & Business Confidence



Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)						
	1998	1999	1999 Q2	1999 Q3	1999 Q4	2000 Q1
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	65,357	75,557	75,396	76,508	81,248	83,304
% change	9.0	15.6	41.9	6.0	27.2	10.5
Non-residential Construction (1992\$)	39,502	40,288	39,956	40,200	41,040	42,264
% change	1.7	2.0	0.0	2.5	8.6	12.5
Capacity Utilization (% , Non-farm goods)	83.3	84.8	83.8	85.7	86.5	87.6
Capacity Utilization (Mfg. sector)	83.8	85.7	84.5	86.8	87.2	87.9
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	142,296.0	174,317.0	170,760.0	181,716.0	189,792.0	213,156.0
% change	-13.3	22.5	47.3	28.2	19.0	59.1
Profits - Non-financial industries	94,891.0	123,372.0	117,724.0	129,740.0	135,332.0	147,744.0
% change	-13.6	30.0	27.9	47.5	18.4	42.0
Profits - Financial industries	47,406.0	50,945.0	53,036.0	51,976.0	54,460.0	65,412.0
% change	-12.5	7.5	105.3	-7.8	20.5	108.1
Business Credit	686,869.4	717,831.1	711,296.7	720,869.7	730,899.0	741,583.3
% change	10.0	4.5	1.7	5.5	5.7	6.0



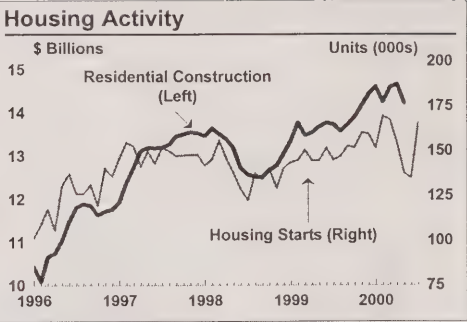


*The housing market posts a healthy gain in the first quarter...*

- Investment in residential construction grew a solid 9.8% in the first quarter of 2000, building on an even stronger advance in the previous quarter.
- Spending on alterations and improvements surged for the second consecutive quarter, and the resale market remained strong. However, new housing construction slowed from a sharp advance posted in the fourth quarter.

*...and the outlook for the rest of the year is positive*

- Recent declines in mortgage rates, and continued low unemployment point to a generally positive outlook for the housing market.
- Although residential construction activity in May was affected by the Toronto cement workers' strike, underlying fundamentals appear sound. Residential building permits are up 7.7% in the first half of 2000 compared to a year ago. Moreover, with the resolution of the Toronto strike in mid-June, housing starts bounced back strongly from four straight monthly declines.



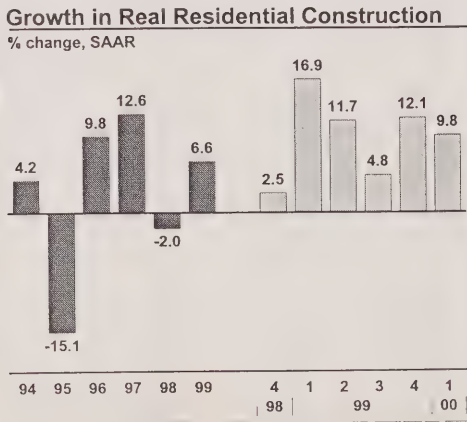
Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	14,225	-3.0%	4.0%
Building Permits, \$M (2)	1,730	4.8%	1.5%
Sales of Existing Homes (2) (# of units)	19,358	-223	
Housing Starts, # of units (3)	165,000	30,000	20,100
Newfoundland	1,400	600	500
Prince Edward Island	400	0	-100
Nova Scotia	3,700	900	1,400
New Brunswick	1,900	500	-200
Quebec	21,400	4,900	3,100
Ontario	80,700	23,500	20,600
Manitoba	1,500	-100	-1,100
Saskatchewan	2,200	-300	-1,100
Alberta	20,000	-700	-100
British Columbia	11,300	-800	-2,600

1 - May data; 2 - June data; 3 - July data  
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

Real Investment in Residential Structures

	1998	1999	1999 Q4	2000 Q1
\$92 Millions, SAAR (unless otherwise noted)				
Residential Construction	41,523	44,259	45,760	46,844
% change	-2.0	6.6	11.8	9.8
Construction by Business sector	41,277	43,983	45,496	46,572
% change	-2.0	6.6	12.1	9.8
New Housing	20,701	22,258	23,472	23,652
% change	-3.5	7.5	21.3	3.1
Alterations & Improvements	13,640	14,399	14,848	15,520
% change	2.4	5.6	19.9	19.4
Ownership & Transfer Costs	7,182	7,259	7,440	7,672
% change	-5.7	1.1	-23.2	13.1







# THE ECONOMY

## Trade and Competitiveness



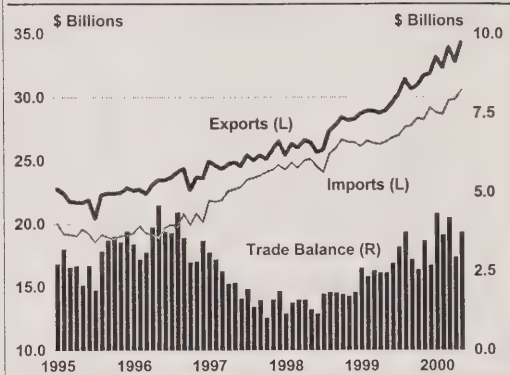
### Exports outpace imports in May...

- Exports rebounded 4.6% in May, boosted by higher sales of M&E, metals and crude oil. The rise in M&E exports reflects an increase in the export of high-tech equipment (telecommunications equipment, computers, and electrical and electronic components).
- Imports increased by 2.4%, led by advances in investment-related M&E and Energy Products.
- Recent increases in both exports and imports of Energy Products are due mainly to higher prices for crude oil. Similarly, the increased value of trade in Industrial Goods & Materials reflects an increase in the price of metals.

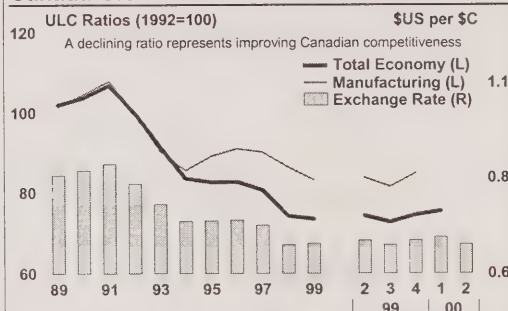
### ...leading to a higher trade surplus

- With exports rising faster than imports, Canada's merchandise trade surplus rose to \$3.7 billion in May.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

### Merchandise Trade

May 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	April 2000	May 2000	1999 Jan-May	2000 Jan-May	Apr to May 2000	Apr to May 2000	Apr to May 1999 to May 2000	May 1999 to May 2000
<b>Exports</b>	<b>32,794</b>	<b>34,299</b>	<b>144,279</b>	<b>166,489</b>	<b>1,505</b>	<b>4.6</b>		<b>18.4</b>
to United States	28,401	29,610	123,569	143,091	1,209	4.3		19.2
<b>Imports</b>	<b>29,837</b>	<b>30,551</b>	<b>131,878</b>	<b>147,593</b>	<b>714</b>	<b>2.4</b>		<b>15.3</b>
from United States	22,020	22,143	101,688	109,549	123	0.6		8.8
<b>Trade Balance</b>	<b>2,957</b>	<b>3,748</b>	<b>12,401</b>	<b>18,896</b>	<b>791</b>			
with United States	6,381	7,467	21,881	33,542	1,086			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,211	2,299	10,456	11,110	88	4.0		6.1
Energy Products	3,289	3,623	10,172	17,408	334	10.2		44.3
Forestry Products	3,535	3,525	15,714	17,582	-10	-0.3		11.0
Industrial Goods & Materials	5,142	5,527	23,068	26,414	385	7.5		20.8
Machinery & Equipment	8,305	8,997	34,166	41,368	692	8.3		36.1
Automotive Products	7,901	7,928	39,351	40,750	27	0.3		3.5
Other Consumer Goods	1,174	1,198	5,608	5,850	24	2.0		9.1
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,455	1,510	7,328	7,478	55	3.8		2.9
Energy Products	1,437	1,642	3,540	7,013	205	14.3		114.4
Forestry Products	256	259	1,108	1,260	3	1.2		17.7
Industrial Goods & Materials	5,931	5,972	25,104	29,076	41	0.7		19.9
Machinery & Equipment	9,974	10,354	43,773	49,043	380	3.8		18.5
Automotive Products	6,369	6,451	30,827	32,190	82	1.3		4.2
Other Consumer Goods	3,328	3,304	15,050	16,217	-24	-0.7		8.6



# LABOUR MARKET TRENDS

## Employment and Unemployment

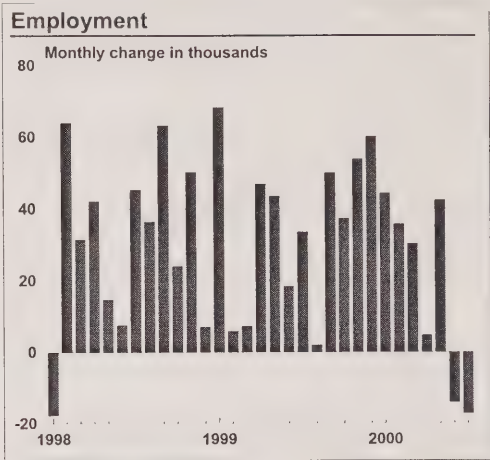


### Employment declines further in July...

- Employment fell by 17,000 in July, marking the second straight monthly decline. After rising strongly at the end of 1999 and through the first quarter of 2000, employment growth has weakened considerably over the past four months.
- Losses in part-time employment (-23,000) were responsible for the overall decrease as full-time employment rose marginally (+5,000) in July. This is in sharp contrast to June, when full-time employment was the main contributing factor to job losses.

### ...pushing the unemployment rate up to 6.8%

- The national unemployment rate increased 0.2 percentage points to 6.8% in July, driven by lower employment for adult women and a strong rebound in labour force participation among youth. The unemployment rate for adult women rose 0.3 percentage points to 5.7%. Despite job gains, a sharp rise in participation pushed the youth unemployment rate up by 0.8 percentage points to 12.6%.
- Employment for adult men increased slightly in July, but a drop in the labour force lowered the employment rate 0.3 percentage points to 5.5%.



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 July	2000 June	2000 July	last month	last year	year-to- date	last month	last year
Employment	14,544.2	14,890.8	14,873.5	-17.3	329.3	126.0	-0.1	2.3
Full-time	11,845.9	12,174.0	12,179.2	5.2	333.3	83.8	0.0	2.8
Part-time	2,698.4	2,716.8	2,694.3	-22.5	-4.1	42.2	-0.8	-0.2
Youth 15-24	2,210.9	2,263.2	2,274.7	11.5	63.8	20.6	0.5	2.9
Adult 25+	12,333.3	12,627.6	12,598.8	-28.8	265.5	105.5	-0.2	2.2
Self-employed	2,457.4	2,417.5	2,409.1	-8.4	-48.3	-99.9	-0.3	-2.0
Unemployment	1,190.8	1,051.2	1,077.1	25.9	-113.7	2.2	2.5	-9.5
Unemployment Rate	7.6	6.6	6.8	0.2	-0.8	0.0		
Youth 15-24	13.9	11.8	12.6	0.8	-1.3	-0.5		
Adult 25+	6.3	5.6	5.6	0.0	-0.7	0.0		
Labour Force	15,735.0	15,942.0	15,950.6	8.6	215.6	128.3	0.1	1.4
Participation Rate	65.6	65.7	65.6	-0.1	0.0	0.0		
Employment Rate	60.7	61.4	61.2	-0.2	0.5	0.0		





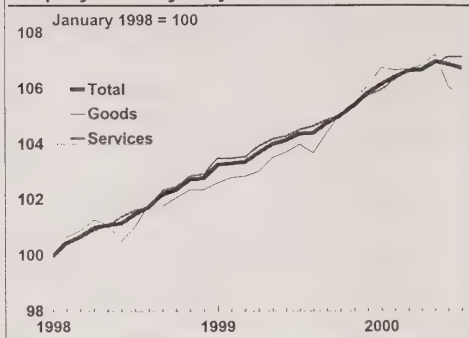
### *Job losses remain concentrated in Goods-producing industries...*

- Employment was down 16,000 in the Goods sector in July, with job losses reported for all major categories except Construction. The gain in Construction follows four consecutive declines, and Manufacturing employment fell for the second month in a row.
- Employment was little changed overall in the Service sector. Losses in Health Care & Social Services and Educational Services were largely offset by job gains in Finance, and Professional, Scientific & Technical Services.

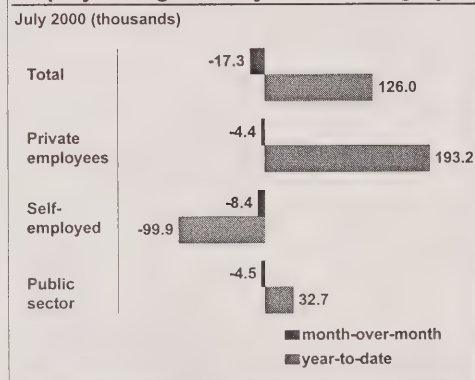
### *...as employment in both the public and private sectors falls*

- Public sector employment fell 5,000 in July, reflecting losses in Educational Services and Health Care & Social Services.
- Private sector employment fell for the second straight month in July, with losses in self-employment and the number of paid employees.

### Employment by major sector



### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 July	2000 June	2000 July	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,788.8	3,864.8	3,849.1	-15.7	60.3	-16.2	-0.4	1.6
Agriculture	409.4	377.0	368.9	-8.1	-40.5	-30.2	-2.1	-9.9
Natural Resources*	260.4	286.6	284.9	-1.7	24.5	9.6	-0.6	9.4
Utilities	117.4	117.0	115.8	-1.2	-1.6	0.4	-1.0	-1.4
Construction	770.9	808.5	825.4	16.9	54.5	18.0	2.1	7.1
Manufacturing	2,230.6	2,275.7	2,254.1	-21.6	23.5	-14.1	-0.9	1.1
<b>Services-producing</b>	10,755.5	11,026.0	11,024.4	-1.6	268.9	142.2	-0.0	2.5
Trade	2,244.4	2,303.5	2,311.9	8.4	67.5	40.2	0.4	3.0
Transportation	751.4	780.0	777.1	-2.9	25.7	12.9	-0.4	3.4
FIRE*	858.3	862.5	876.5	14.0	18.2	11.2	1.6	2.1
Professional/Scientific	912.6	933.5	948.4	14.9	35.8	21.9	1.6	3.9
Management/Administrative	520.8	550.7	551.9	1.2	31.1	34.4	0.2	6.0
Educational Services	982.9	981.2	961.1	-20.1	-21.8	-40.6	-2.0	-2.2
Health Care/Social Assistance	1,445.6	1,543.4	1,518.6	-24.8	73.0	46.7	-1.6	5.0
Information/Culture/Recreation	636.5	663.2	664.7	1.5	28.2	28.5	0.2	4.4
Accommodation & Food	913.7	974.1	970.8	-3.3	57.1	20.2	-0.3	6.2
Other Services	713.8	689.0	700.3	11.3	-13.5	-8.6	1.6	-1.9
Public Administration	775.6	744.8	743.2	-1.6	-32.4	-24.6	-0.2	-4.2

\*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.







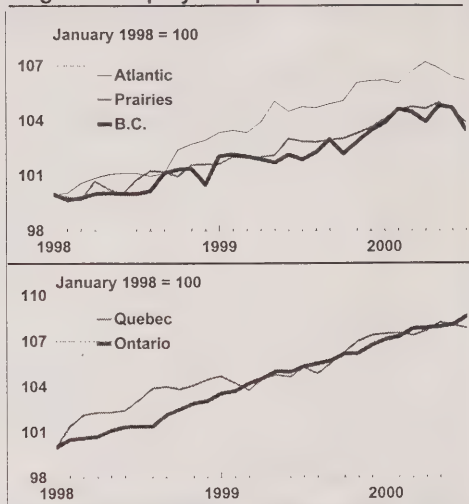
### Most provinces experience falling employment in July...

- Employment was down in seven of ten provinces in July, with the largest job losses in percentage terms posted by Newfoundland, British Columbia and Alberta. Among the three remaining provinces, Ontario posted the largest increase, while employment edged up in PEI and holding steady in Nova Scotia.

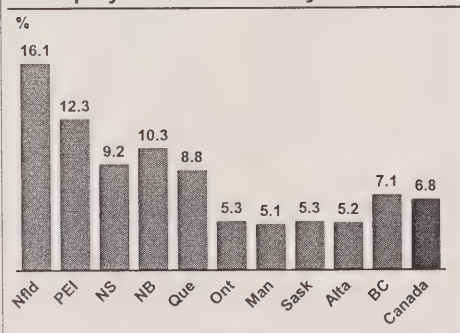
### ...and higher unemployment rates

- Unemployment rates were higher in all provinces except Ontario and Saskatchewan. The biggest increases were in PEI and Nova Scotia – both up 0.8 percentage points – sparked primarily by a rise in labour force participation rather than job losses.
- Newfoundland's unemployment rate rose 0.7 percentage points to 16.1%, the highest among the provinces.
- Manitoba continues to have the lowest provincial unemployment rate at 5.1%. Rates tend to be lowest in the Prairies and Ontario, and highest in Atlantic Canada.

### Regional employment patterns



### Unemployment Rates -- July 2000



### Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels	Change since last month		Change since last year			Levels	Change since last month	last year
	2000 July	(000's)	%	(000's)	%				
Canada	14,873.5	-17.3	-0.1	329.3	2.3		6.8	0.2	-0.8
Newfoundland	201.5	-4.1	-2.0	-5.2	-2.5		16.1	0.7	-1.0
P.E.I.	63.9	0.1	0.2	2.3	3.7		12.3	0.8	-1.2
Nova Scotia	419.7	-0.1	-0.0	11.2	2.7		9.2	0.8	0.0
New Brunswick	333.4	2.2	0.7	5.6	1.7		10.3	0.1	0.8
Quebec	3,440.4	-5.7	-0.2	81.7	2.4		8.8	0.4	-0.5
Ontario	5,876.1	29.4	0.5	176.7	3.1		5.3	-0.1	-1.0
Manitoba	554.3	-1.0	-0.2	13.3	2.5		5.1	0.7	-0.7
Saskatchewan	483.8	-1.7	-0.4	2.5	0.5		5.3	-0.3	-0.5
Alberta	1,571.4	-13.9	-0.9	10.7	0.7		5.2	0.2	-0.4
B.C.	1,929.0	-22.5	-1.2	30.3	1.6		7.1	0.4	-1.4





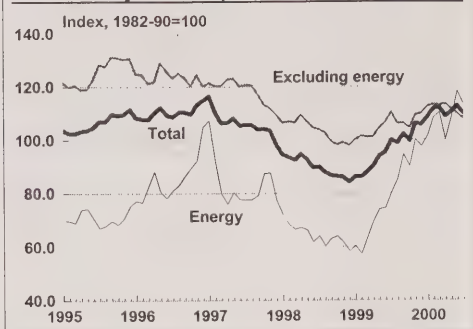
*Inflation rises to 2.9% in June...*

- Consumer prices were up 2.9% in June on a year-over-year basis, the biggest increase since March. Higher energy prices were the main contributors to June's inflation, including a 30.5% jump in gasoline prices compared to last year. Increased mortgage interest costs and tuition fees also put upward pressure on inflation. Prices for fresh fruit, automobiles and computer equipment & supplies were down in June, partly offsetting higher prices elsewhere.
- Prices rose 0.6% from May to June, the second consecutive monthly increase.

*...but the "core" rate remains in the bottom half of the official target range*

- Excluding energy, food and indirect taxes, the "core" rate of inflation was 1.4% in June, well within the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices were up 10.1% in July on a year-over-year basis. Energy prices surged 41.3%, while prices for all other commodities fell 2.0%.

Commodity Prices (\$U.S. basis)



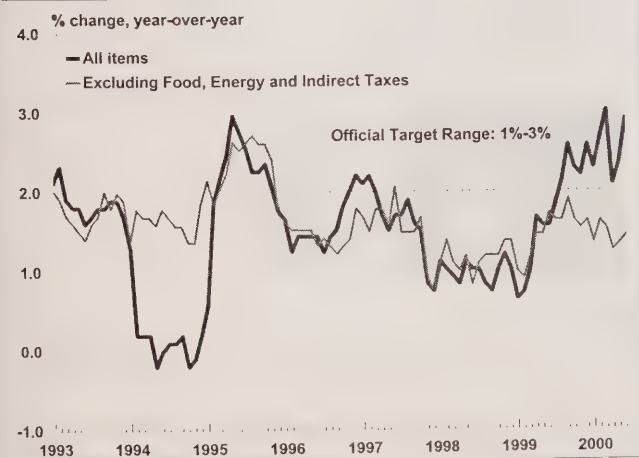
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
June 2000			
All items CPI	113.7	0.6	2.9
Food	112.9	0.7	1.3
Shelter	108.1	0.3	3.2
Household operations	109.9	0.3	0.6
Clothing & Footwear	104.6	-0.1	0.1
Transportation	131.8	1.5	6.5
Health & Personal Care	111.9	-0.2	1.3
Recreation, Educ. & Reading	123.9	1.0	2.7
Alcohol & Tobacco	97.9	0.5	3.4
Excl. Food/Energy/Indirect Taxes	113.6	0.3	1.4
Energy	128.4	3.8	19.3

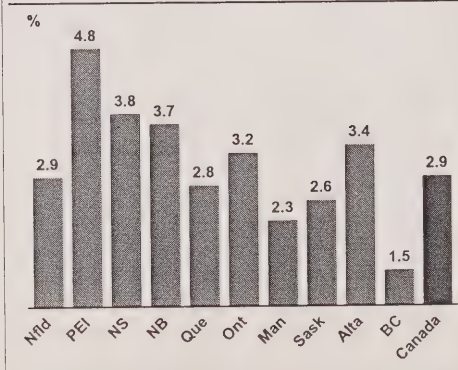
Commodity Prices (July)

Index, 1982-90=100	110.0	-2.5	10.1
Excluding Energy	108.2	-1.5	-2.0
Energy	113.5	-4.1	41.3

Consumer Price Index



Provincial CPI Inflation -- June 2000





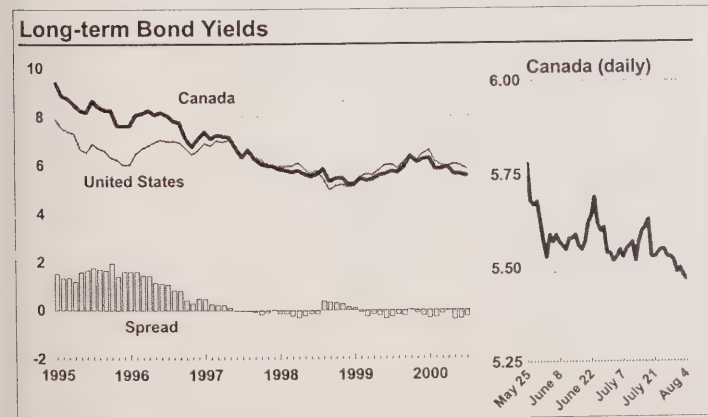
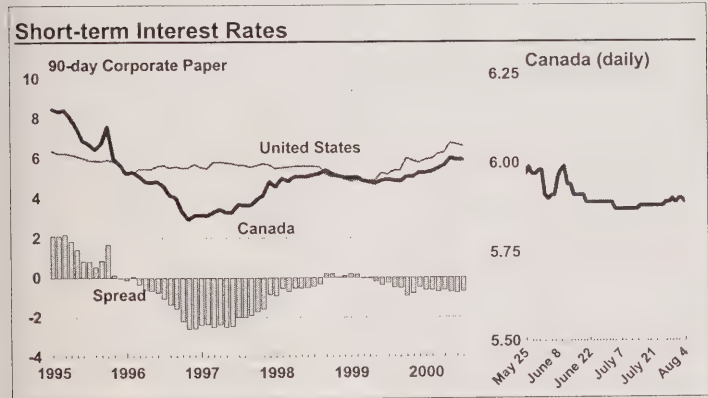


Short term interest rates are virtually unchanged in July...

- The Bank of Canada has held firm since last raising its trendsetting Bank rate 50 basis points in May. Recent data provide no clear evidence concerning the strength of the economy or inflationary pressures, leaving investors uncertain as to whether or not the Bank will need to raise interest rates in the near term.
- As a result, market-determined short-term interest rates have been quite stable, hovering around the 5.9% mark through most of June and July. Canadian short-term interest rates closed 71 basis points below comparable U.S. rates on August 2.

...but long-term yields edge down

- Long-term bond yields increased slightly in the first two weeks of July, but subsequently reversed course. Long rates ended August 2 at 5.5%, down slightly from June's close and below domestic short-term rates.
- However, the gap between Canadian and U.S. long term interest rates narrowed somewhat in July, with Canadian rates closing 27 basis points below comparable U.S. yields on August 2.



Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Feb 2000	5.31	-0.64	5.83	-0.31
March	5.46	-0.72	5.84	-0.15
April	5.62	-0.64	5.92	-0.03
May	5.98	-0.74	5.63	-0.39
June	5.89	-0.78	5.61	-0.36
July	5.88	-0.71	5.55	-0.27
Aug 2	5.90	-0.71	5.50	-0.27

A positive spread indicates that Canadian rates are above their U.S. counterparts.

Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Feb 2000	5.25	6.75	7.60	8.55
March	5.50	7.00	7.70	8.35
April	5.50	7.00	7.70	8.35
May	6.00	7.50	8.30	8.75
June	6.00	7.50	8.10	8.45
July	6.00	7.50	7.90	8.25
Aug 2	6.00	7.50	7.90	8.25







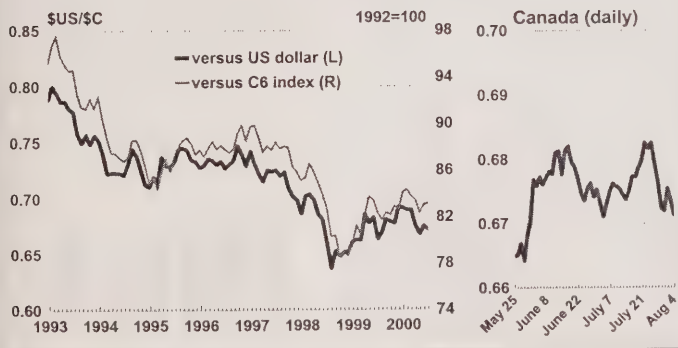
The TSE 300 edges higher in July...

- Better-than-expected earnings reports from Canada's high-tech sector boosted the demand for technology stocks and propelled the TSE 300 index above 10,900 for the first time ever on July 26. Stock prices subsequently fell back with the release of more disappointing reports from some high-tech firms, but the TSE 300 still gained 2.1% overall in July.
- By comparison, the U.S. Dow Jones Industrial Average rose 0.7% and the S&P 500 fell 1.3% in July. So far this year, the value of the TSE 300 has gained more than 25% while the Dow Jones has lost 5.9%. Indeed, the level of the Canadian stock index surpassed the Dow Jones for the first time since March 1995 on July 17.

...while the Canadian dollar is down slightly

- The Canadian dollar gained strength through most of July, rising above \$US 0.68 on July 24. However, the currency lost ground late in the month, closing out at \$US 0.6725, down slightly from June's close. Uncertainty surrounding the near-term outlook for domestic interest rates (particularly relative to U.S. rates) explains much of the dollar's volatility throughout the month.

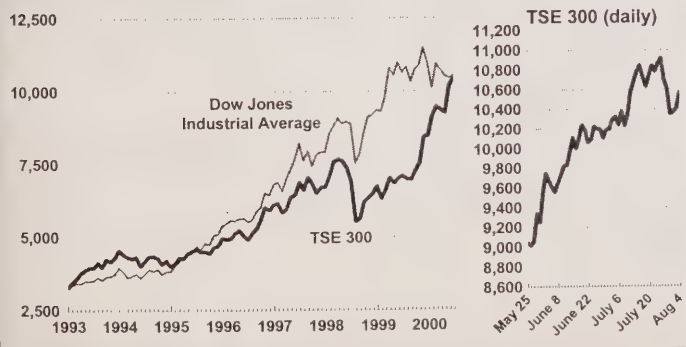
Canadian dollar



The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Feb 2000	0.6898	84.39	1.370	75.43
March	0.6899	83.84	1.388	72.77
April	0.6756	83.47	1.409	71.90
May	0.6682	82.37	1.442	72.41
June	0.6754	83.06	1.393	71.84
July	0.6725	83.17	1.410	73.23
Aug 4	0.6714			

Stock Market Indices



Key Stock Market Indexes

	July Close	% change from last month	% change from last year
TSE 300	10,406	2.1	47.0
Oil & Gas	7,029	-6.0	10.3
Metals & Minerals	3,392	1.9	-10.0
Utilities	14,247	0.3	72.3
Paper & Forest	4,909	-0.7	-2.0
Merchandising	5,268	1.2	-0.9
Financial Services	8,529	1.8	16.0
Goods	3,958	-11.2	-21.5
Price-Earnings Ratio*	30.3	0.0	-3.7
S&P 500	1,431	-1.6	7.7
Dow Jones	10,522	0.7	-1.3

\*columns 2 & 3 reflect change in levels





### *The U.S. economy grows strongly in the second quarter...*

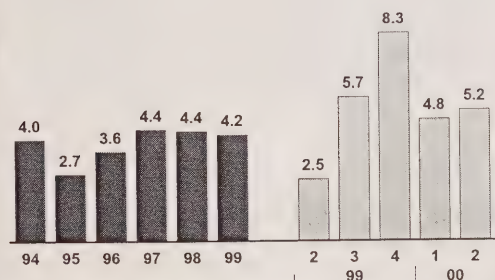
- Advance estimates suggest that U.S. real GDP surged 5.2% (annual rate) in the second quarter of 2000, building on a downwardly-revised 4.8% increase in the previous quarter. Solid gains in non-residential fixed investment, consumer spending on services, and inventory investment more than offset strong import growth and a slowdown in purchases of durable goods.
- However, U.S. employment decreased by 108,000 in July – the first drop since January 1996 – as higher private-sector employment could not offset a decline in government employment attributed to the departure of temporary Census workers. July's unemployment rate was unchanged at 4.0%.
- The U.S. trade deficit soared to a record \$31.0 billion in May, with exports falling more rapidly than imports.

### *... but recent data on costs lower expectations of a rate hike*

- Consumer and producer prices were both up 0.6% in June, due mainly to a 5.6% jump in energy prices. Excluding food and energy, producer prices fell 0.1% on the month while the CPI increased only 0.2%.
- Productivity rose 5.3% (annual rate) in the second quarter of the year. Combined with a deceleration in the employment cost index, this stronger-than-expected result has eased fears that the Federal Reserve will raise interest rates soon.

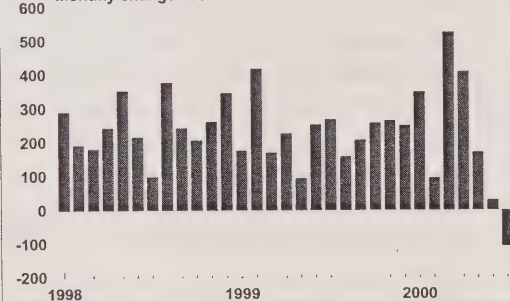
**U.S. Real GDP Growth**

% change, SAAR



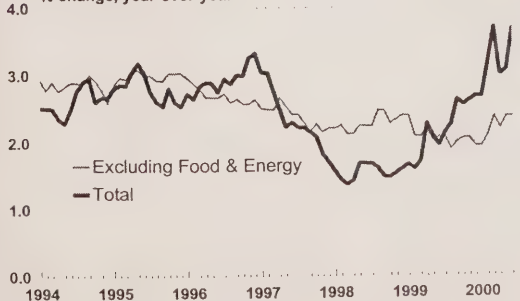
**U.S. Non-farm Payrolls**

Monthly change in thousands

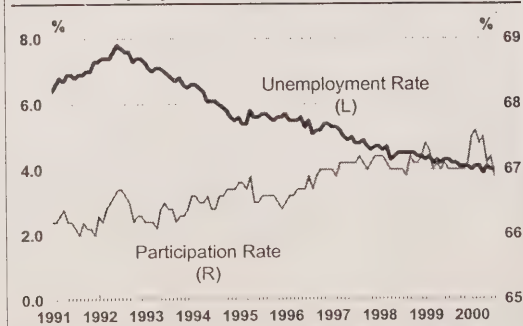


**U.S. Consumer Price Inflation**

% change, year-over-year



**U.S. Unemployment & Participation Rates**





**CANADA**

Survey of Manufacturing – June .....	August 16
Consumer Price Index – July .....	August 17
International Trade – June .....	August 18
Financial Statistics For Enterprises – 2nd Quarter 2000 .....	August 30
GDP at factor cost – June .....	August 31
National Economic & Financial Accounts – 2nd Quarter 2000 .....	August 31
Balance of International Payments – 2nd Quarter 2000 .....	August 31
Labour Force Survey – August .....	September 8
Capacity Utilization Rates – 2nd Quarter 2000 .....	September 8
Business Conditions Survey – October .....	November 2

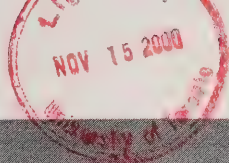
**UNITED STATES**

Consumer Price Index – July .....	August 16
International Trade – June .....	August 18
Federal Open Market Committee meeting .....	August 22
GDP – 2nd Quarter 2000, Preliminary .....	August 25
Employment Situation – August .....	September 1

Note: the August MEI uses data available as of August 4, 2000







# MONTHLY ECONOMIC INDICATORS

## September 2000

### HIGHLIGHTS

Real GDP advances 4.7% in the second quarter, boosted by strength in the high-tech sector.

Although employment rebounds in August, Canada's unemployment rate rises to 7.1%.

CPI inflation hits 3.0% in July, with higher energy prices accounting for over half of the overall increase.

Canada's trade surplus reaches a record high in June, aided by higher energy prices.

Broad-based gains propel the TSE 300 to new highs in August.

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	783.3	0.4	4.7	June
Goods	263.0	0.4	5.9	June
Services	520.3	0.4	4.1	June
Composite Index	163.8	0.4	8.0	July
Employment (000's)	14,901	0.2	2.4	Aug
Full-time	12,182	0.0	3.0	Aug
Part-time	2,718	0.9	-0.2	Aug
Unemployment* (%)	7.1	6.8	7.7	Aug
Youth*	13.0	12.6	13.5	Aug
Adult*	5.9	5.6	6.6	Aug
CPI inflation*	3.0	2.9	1.8	July
Retail Sales (\$M)	22,893	0.8	6.3	June
Housing Starts (000's)	146.0	-11.8	-0.5	Aug
Trade Balance* (\$M)	4,955	4,035	2,758	June
Exports	35,341	2.3	19.5	June
Imports	30,386	-0.4	13.3	June
M&E	10,212	-2.5	13.0	June
3-mth Corp. paper* (%)	5.86	5.88	4.87	Sept 6
Long bond yield* (%)	5.51	5.55	5.68	Sept 6
Canadian dollar* (US¢)	67.69	67.25	67.00	Sept 8

\*Data in levels only – % change not reported.

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).





# MONTHLY ECONOMIC INDICATORS

## September 2000

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This report uses data available as of September 8, 2000. It has been prepared by Eric Chalifoux, Julie Dubois, Joe Macaluso, Arif Mahmud and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).



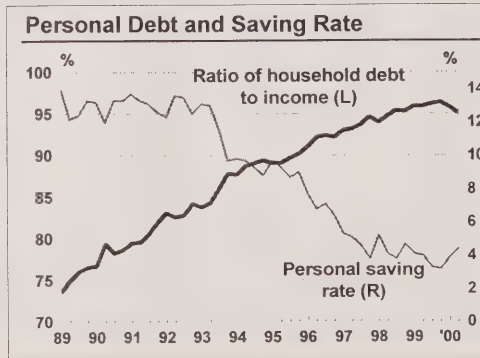
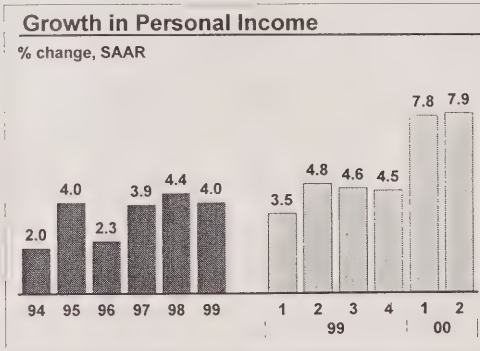
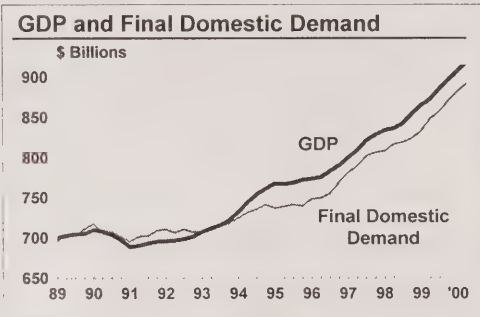
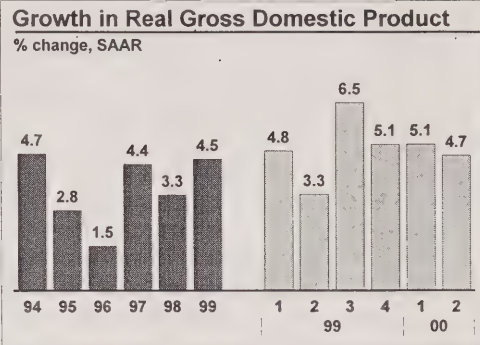


*The economy expands at a solid pace in the second quarter...*

- Real GDP rose a stronger-than-expected 4.7% (annual rate) in the second quarter of 2000. This marks the 20th straight quarterly increase in output, and represents the longest consecutive string of gains since the 1960's.
- The high-tech sector was a major source of strength for the economy, accounting for roughly half of the total increase in output.
- Final domestic demand posted another solid advance, with particularly strong growth in investment in high-tech equipment. Consumer spending was also strong, supported by high levels of consumer confidence.
- Exports advanced at a healthy pace, rising 8.5% (annual rate) in the second quarter. With imports growing at an even faster pace (+10.2%), however, Canada's real trade surplus fell.

*...supporting growth in personal income and corporate profits*

- Personal income was up sharply in the second quarter, boosted by a 10.4% surge in labour income. Federal pay equity payments accounted for just under half of the overall increase in labour income.
- Higher incomes raised the saving rate to 4.4%, up from a revised 3.9% in the first quarter of the year. Although the household debt-to-income ratio edged down to 95.1% in the second quarter, household debt levels still remain high.
- Growth in corporate operating profits slowed to 6.8% (annual rate) in the second quarter, following average gains of just over 30% in the previous six quarters. Higher commodity prices and strong demand for manufacturing products continue to support profit growth.









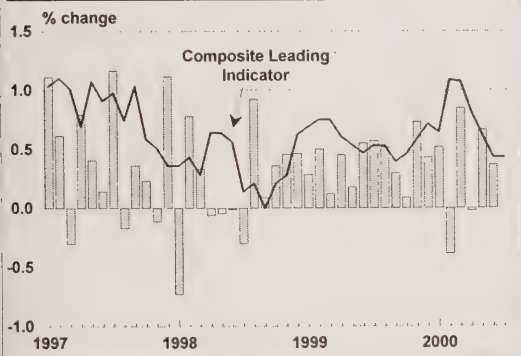
### Output growth slows in June...

- Real GDP at factor cost increased 0.4% in June, down from growth of 0.7% in May. Excluding the manufacturing and wholesaling of computers and peripheral equipment, output growth would have been a more modest 0.2%.

### ...led by sharp gains in Manufacturing and Wholesaling

- The 0.4% increase in Goods production reflects mainly a sharp rise in Manufacturing, which benefited from strong foreign demand for electrical & electronic goods, and motor vehicle parts. The settlement of a strike by Toronto cement truck drivers gave rise to a 0.6% rebound in Construction output.
- Total output in the Services sector rose 0.4% in June. A strong gain in Wholesaling resulted from a sharp rise in computer and software distribution, while continued strong growth in Business Services also contributed to growth. Declining output in Finance industries was associated with lower stock market activity.

**Real GDP at Factor Cost**



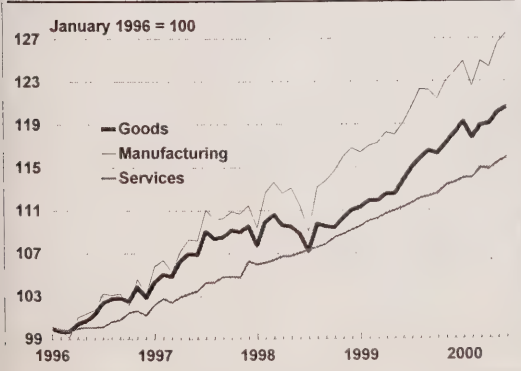
**Real GDP at Factor Cost (1992 dollars)**

June 2000

	\$ millions	monthly change	% Change since last month	year
<b>Total Economy</b>	<b>783,300</b>	<b>2,865</b>	<b>0.4</b>	<b>4.7</b>
<b>Business sector</b>	<b>653,196</b>	<b>2,791</b>	<b>0.4</b>	<b>5.5</b>
<b>Goods</b>	<b>263,025</b>	<b>962</b>	<b>0.4</b>	<b>5.9</b>
Agriculture	13,858	8	0.1	2.4
Fishing & Trapping	727	-29	-3.8	-11.3
Logging & Forestry	4,549	-164	-3.5	-3.7
Mining*	29,089	31	0.1	10.3
Manufacturing	145,340	1,046	0.7	7.0
Construction	42,951	248	0.6	3.1
Other Utilities	26,511	-178	-0.7	4.5
<b>Services</b>	<b>520,275</b>	<b>1,903</b>	<b>0.4</b>	<b>4.1</b>
Transport & Storage	36,499	118	0.3	4.7
Communications	30,048	254	0.9	13.1
Wholesale Trade	48,432	776	1.6	5.0
Retail Trade	48,464	192	0.4	4.9
Finance & Insurance	44,005	-401	-0.9	6.0
Real Estate & Ins. Agent	81,274	131	0.2	2.4
Business services	46,889	400	0.9	8.2
Government services	46,241	-11	-0.0	1.8
Education	40,613	29	0.1	0.5
Health & Social Services	47,272	52	0.1	1.1
Accommodation & Food	20,198	151	0.8	3.4
Other	30,340	212	0.7	2.3

\*Includes Quarrying and Crude Petroleum & Natural Gas

**Real GDP by major sector**







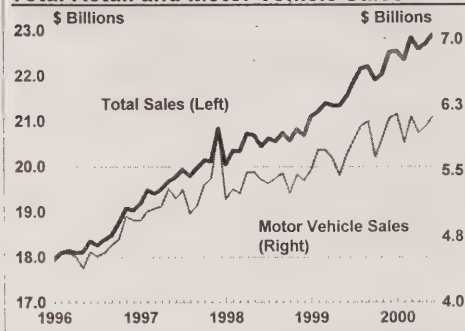
### Consumer spending is strong in the second quarter...

- Real consumption rose 3.6% (annual rate) in the second quarter of 2000, in line with growth in the previous two quarters.
- Spending on services experienced a substantial boost on the quarter. However, growth in purchases of interest-sensitive durable and semi-durable goods slowed considerably from the previous period.

### ...and is expected to remain so

- Continuing income gains and higher consumer confidence should support further increases in household spending. Although employment growth slowed in the second quarter, personal disposable income surged 8.1% (annual rate), boosted by federal pay equity payments.
- Although household finances have improved somewhat over the past three quarters, the personal saving rate is still low and household debt levels remain high. A return to solid job growth may therefore be required to sustain further increases in consumer spending.

### Total Retail and Motor Vehicle Sales



### Retail Sales and Consumer Credit

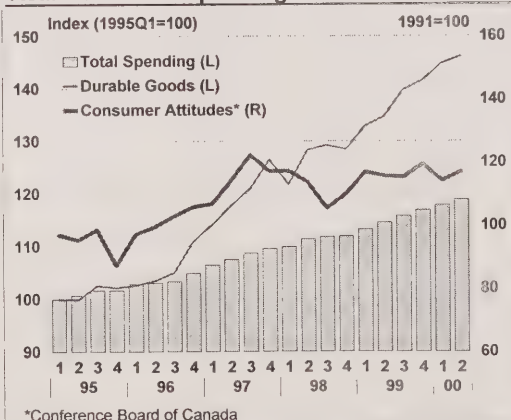
June 2000

	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	22,893	0.8	6.3
Food	5,028	0.2	2.8
Drug Stores	1,129	0.6	2.2
Clothing	1,248	0.9	6.4
Furniture	1,247	-1.0	8.1
Automotive	9,213	1.5	9.8
General Merch. Stores	2,588	0.9	3.9
All other Stores	2,441	0.6	4.5
Total ex. motor vehicles	16,773	0.4	5.8
Consumer Credit (unadjusted)	181,530	1.0	9.1

### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)		2000 Q1	2000 Q2
	1998	1999		
Real Consumption (92\$)	487,866	504,763	516,732	521,312
% change	2.9	3.5	3.4	3.6
Durable Goods	66,487	71,859	75,824	76,504
% change	5.9	8.1	9.4	3.6
Semi-Durable Goods	45,751	47,103	48,572	48,728
% change	4.4	3.0	8.9	1.3
Non-Durable Goods	120,795	123,344	125,028	125,464
% change	1.7	2.1	1.4	1.4
Services	254,833	262,457	267,308	270,616
% change	2.5	3.0	1.7	5.0
Disposable Income	567,960	590,608	611,864	623,912
% change	3.9	4.0	7.7	8.1
Saving Rate (%)	4.5	3.7	3.9	4.4
Debt-to-Income Ratio (%)	94.9	96.1	95.8	95.1

### Real Consumer Spending and Attitudes



\*Conference Board of Canada





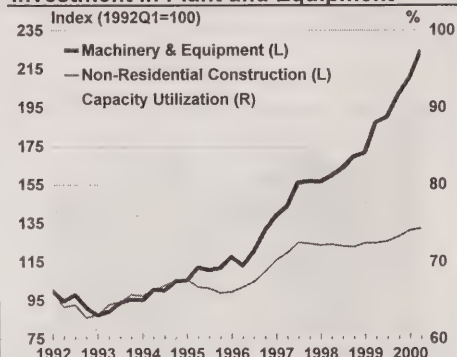
### Business investment rises faster in the second quarter...

- Business investment recorded another solid advance in the second quarter, extending its recent string of sharp gains. Spending on Machinery & Equipment (M&E) soared 28.5% (annual rate), due mainly to higher purchases of computers and other office equipment. Increased purchases of transportation equipment by the oil and gas sector also played a role.
- Growth in Non-Residential Construction slowed to 2.9% (annual rate), following an increase of 10.2% in the first quarter.

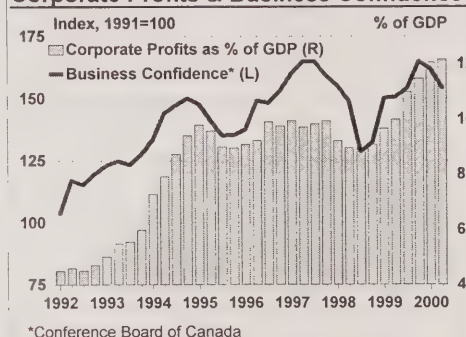
### ...and should be strong for the rest of the year

- The investment outlook remains positive, given recent gains in corporate profits and rising capacity utilization rates.
- Indeed, capacity utilization reached 87.9% in the second quarter, its highest rate since the mid-1960s. While capacity use in most major industry groups was up, Manufacturing and Mining posted particularly sharp increases.

### Investment in Plant and Equipment



### Corporate Profits & Business Confidence



### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q3	1999 Q4	2000 Q1	2000 Q2
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1992\$)</b>	65,357	75,557	76,508	81,248	84,704	90,184
% change	9.0	15.6	6.0	27.2	18.1	28.5
<b>Non-residential Construction (1992\$)</b>	39,502	40,288	40,200	41,040	42,052	42,352
% change	1.7	2.0	2.5	8.6	10.2	2.9
<b>Capacity Utilization (% , Non-farm goods)</b>	83.3	84.9	85.7	86.5	87.5	87.9
Capacity Utilization (Mfg. sector)	83.8	85.7	86.7	87.0	87.8	88.4
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>	142,296.0	174,317.0	181,716.0	189,792.0	204,288.0	207,660.0
% change	-13.3	22.5	28.2	19.0	34.2	6.8
<b>Profits - Non-financial industries</b>	94,891.0	123,372.0	129,740.0	135,332.0	140,360.0	147,312.0
% change	-13.6	30.0	47.5	18.4	15.7	21.3
<b>Profits - Financial industries</b>	47,406.0	50,945.0	51,976.0	54,460.0	63,928.0	60,348.0
% change	-12.5	7.5	-7.8	20.5	89.9	-20.6
<b>Business Credit</b>	694,677.7	729,727.8	735,011.7	746,400.0	755,693.0	771,550.3
% change	10.6	5.0	7.6	6.3	5.1	8.7







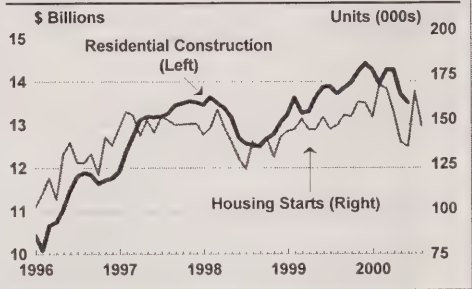
*The housing market has weakened considerably in the first half of 2000...*

- Business investment in Residential Construction fell 11.0% in the second quarter, after registering only a slight advance in the first quarter.
- A strike by cement truck drivers in Toronto contributed greatly to this slump, leading to lower investment in new housing. However, sales of existing homes were also down on the quarter, and the pace of renovation activity slowed.

*...and may remain weak in the last half of the year*

- The settlement of the cement truck drivers' strike resulted in a sharp rebound in housing starts in July. However, housing starts subsequently fell back in August, marking the sixth decline in the past eight months.
- Higher mortgage rates have been a major factor behind the recent weakness in the housing market. The Canada Mortgage and Housing Corporation expects that mortgage rates will decline in coming months, which could support future activity in the sector.

Housing Activity



Monthly Housing Indicators

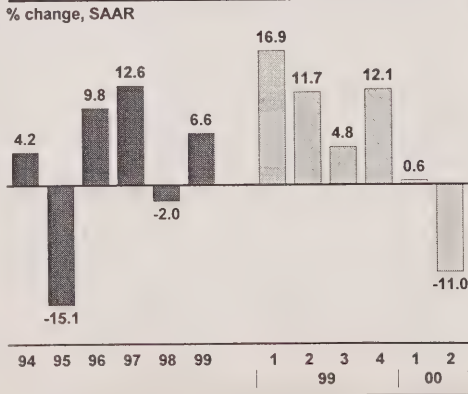
	levels	Change since	
		last month	last year
Residential Construction (1)	13,510	-1.5%	-2.6%
(\$92M, factor cost basis)			
Building Permits, \$M (2)	1,701	-1.6%	-1.8%
Sales of Existing Homes (2)	18,897	-387	
(# of units)			
Housing Starts, # of units (3)	146,000	-19,600	-800
Newfoundland	900	-500	0
Prince Edward Island	500	100	200
Nova Scotia	4,100	400	2,800
New Brunswick	1,600	-300	-100
Quebec	23,300	1,900	6,200
Ontario	62,100	-18,700	-500
Manitoba	2,000	500	0
Saskatchewan	2,300	100	100
Alberta	19,300	-700	-5,100
British Columbia	8,900	-2,400	-4,600

1 - June data; 2 - July data; 3 - August data  
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)				
	1998	1999	2000 Q1	2000 Q2
Residential Construction	41,523	44,259	45,832	44,528
% change	-2.0	6.6	0.6	-10.9
Construction by Business sector	41,277	43,983	45,560	44,256
% change	-2.0	6.6	0.6	-11.0
New Housing	20,701	22,258	22,996	21,800
% change	-3.5	7.5	-7.9	-19.2
Alterations & Improvements	13,640	14,399	15,212	15,328
% change	2.4	5.6	10.2	3.1
Ownership & Transfer Costs	7,182	7,259	7,624	7,400
% change	-5.7	1.1	10.3	-11.2

Growth in Real Residential Construction







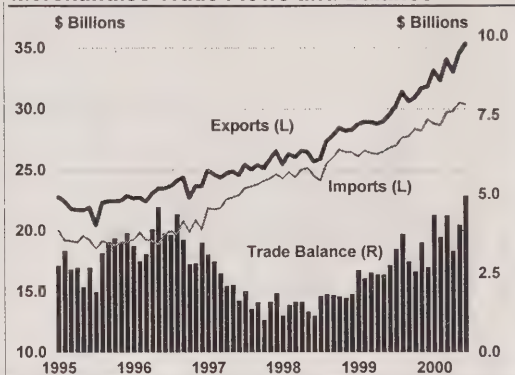
### Strong export growth in June...

- Exports rose 2.3% in June, led by gains in Energy Products and Automotive Products. Energy exports were boosted by higher prices for natural gas and crude petroleum.
- Imports edged down 0.4%, with lower imports of M&E and Other Consumer Goods.

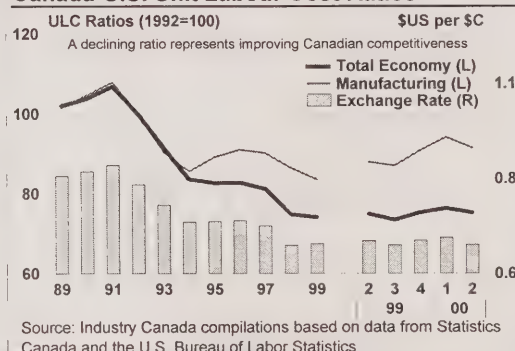
### ...leads to a record high trade surplus

- The surge in exports in combination with lower imports lifted Canada's merchandise trade surplus to a record \$5.0 billion in June.
- Recent increases in the trade surplus are due mainly to higher export prices for energy and metal products. Lower prices for imports, associated with falling computer prices, have also boosted the value of Canada's trade surplus.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



### Merchandise Trade

June 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	May 2000	June 2000	1999 Jan-June	2000 Jan-June	May to June 2000	May to June 2000	June 99 to June 2000	
<b>Exports</b>	<b>34,537</b>	<b>35,341</b>	<b>173,848</b>	<b>202,458</b>	<b>804</b>	<b>2.3</b>	<b>19.5</b>	
to United States	29,537	30,318	148,938	173,558	781	2.6	19.5	
<b>Imports</b>	<b>30,502</b>	<b>30,386</b>	<b>158,689</b>	<b>177,924</b>	<b>-116</b>	<b>-0.4</b>	<b>13.3</b>	
from United States	22,280	22,507	122,060	132,244	227	1.0	10.5	
<b>Trade Balance</b>	<b>4,035</b>	<b>4,955</b>	<b>15,159</b>	<b>24,534</b>	<b>920</b>			
with United States	7,257	7,811	26,878	41,314	554			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,372	2,301	12,579	13,510	-71	-3.0	8.4	
Energy Products	3,523	4,144	12,656	21,747	621	17.6	66.8	
Forestry Products	3,549	3,508	18,873	21,098	-41	-1.2	11.0	
Industrial Goods & Materials	5,507	5,486	27,813	31,784	-21	-0.4	15.6	
Machinery & Equipment	9,167	9,267	41,248	50,944	100	1.1	30.9	
Automotive Products	7,969	8,176	47,058	48,974	207	2.6	6.1	
Other Consumer Goods	1,212	1,215	6,734	7,094	3	0.2	7.9	
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,513	1,509	8,762	8,991	-4	-0.3	5.2	
Energy Products	1,464	1,502	4,399	8,297	38	2.6	74.9	
Forestry Products	259	259	1,335	1,519	0	0.0	14.1	
Industrial Goods & Materials	5,979	6,086	30,122	35,135	107	1.8	21.3	
Machinery & Equipment	10,469	10,212	52,811	59,453	-257	-2.5	13.0	
Automotive Products	6,451	6,503	37,025	38,670	52	0.8	4.9	
Other Consumer Goods	3,307	3,253	18,069	19,463	-54	-1.6	7.8	





## Employment and Unemployment

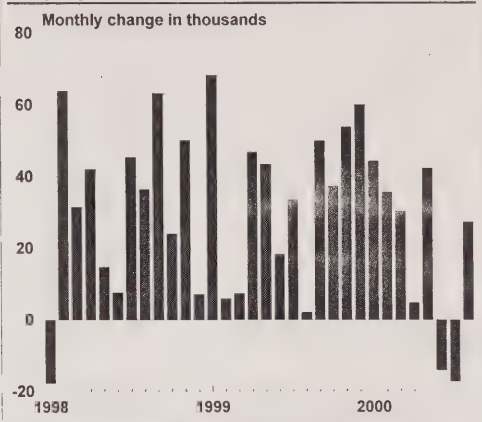
### Despite higher employment in August...

- Employment rose by 27,000 in August, rebounding from modest declines in the previous two months. Even with this increase, the pace of job creation has slowed considerably over the past five months.
- An increased number of part-time jobs (+24,000) accounted for most of the overall gain, as full-time employment was up only slightly.

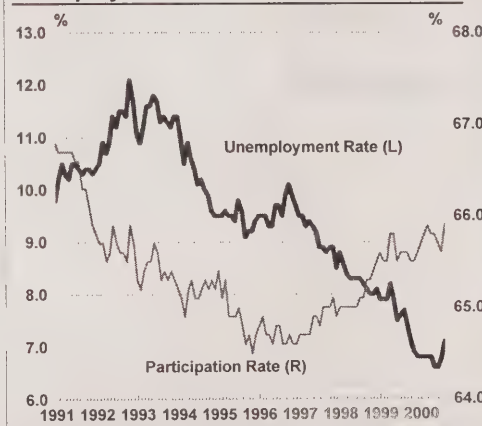
### ...a surge in the labour force raises the unemployment rate to 7.1%

- Despite higher employment, the national unemployment rate increased 0.3 percentage points to 7.1% in August, owing to a sharp rise in the number of job seekers (+86,000). The labour force participation rate rose to 65.9%, the same as in March and the highest rate since 1991.
- Employment was up for adult men, adult women and youth, but in all three groups an increase in the labour force led to higher unemployment rates.

### Employment



### Unemployment Rate



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 August	2000 July	2000 August	last month	last year	year-to- date	last month	last year
Employment	14,546.3	14,873.5	14,900.8	27.3	354.5	153.3	0.2	2.4
Full-time	11,822.9	12,179.2	12,182.4	3.2	359.5	87.0	0.0	3.0
Part-time	2,723.4	2,694.3	2,718.4	24.1	-5.0	66.3	0.9	-0.2
Youth 15-24	2,196.1	2,274.7	2,278.5	3.8	82.4	24.4	0.2	3.8
Adult 25+	12,350.2	12,598.8	12,622.3	23.5	272.1	129.0	0.2	2.2
Self-employed	2,450.9	2,409.1	2,387.5	-21.6	-63.4	-121.5	-0.9	-2.6
Unemployment	1,215.4	1,077.1	1,135.7	58.6	-79.7	60.8	5.4	-6.6
Unemployment Rate	7.7	6.8	7.1	0.3	-0.6	0.3		
Youth 15-24	13.5	12.6	13.0	0.4	-0.5	-0.1		
Adult 25+	6.6	5.6	5.9	0.3	-0.7	0.3		
Labour Force	15,761.7	15,950.6	16,036.5	85.9	274.8	214.2	0.5	1.7
Participation Rate	65.6	65.6	65.9	0.3	0.3	0.3		
Employment Rate	60.6	61.2	61.2	0.0	0.6	0.0		







# LABOUR MARKET TRENDS

## Industry Overview

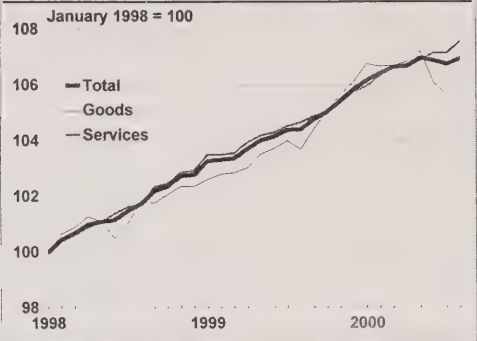
### Employment in the Goods-producing industries continues to fall...

- Employment was down 17,000 in the Goods sector in August, the fourth straight monthly decline. Job losses were reported in all major categories except Manufacturing, but the Construction industry accounted for most of the overall decrease. Employment has fallen by 33,000 since the beginning of the year in the Goods sector.
- Employment in Services rose 44,000 on the month, bringing gains so far this year to 186,000. Sizeable gains in Trade, Other Services and Health Care & Social Assistance offset a large decline for Accommodation & Food Services.

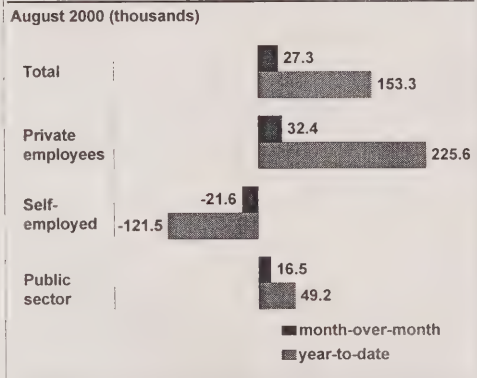
### ...along with the number of self-employed

- Paid employment in the private sector was up 32,000 in August, while public sector employment increased by 17,000. These gains were partly offset by a drop of 22,000 in the number of self-employed, bringing year-to-date losses to 122,000.

#### Employment by major sector



#### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 August	2000 July	2000 August	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,777.5	3,849.1	3,832.4	-16.7	54.9	-32.9	-0.4	1.5
Agriculture	405.9	368.9	367.9	-1.0	-38.0	-31.2	-0.3	-9.4
Natural Resources*	256.8	284.9	282.4	-2.5	25.6	7.1	-0.9	10.0
Utilities	116.5	115.8	115.5	-0.3	-1.0	0.1	-0.3	-0.9
Construction	764.7	825.4	806.4	-19.0	41.7	-1.0	-2.3	5.5
Manufacturing	2,233.6	2,254.1	2,260.1	6.0	26.5	-8.1	0.3	1.2
<b>Services-producing</b>	10,768.8	11,024.4	11,068.4	44.0	299.6	186.2	0.4	2.8
Trade	2,256.6	2,311.9	2,341.2	29.3	84.6	69.5	1.3	3.7
Transportation	749.6	777.1	767.9	-9.2	18.3	3.7	-1.2	2.4
FIRE*	867.0	876.5	865.4	-11.1	-1.6	0.1	-1.3	-0.2
Professional/Scientific	908.1	948.4	947.3	-1.1	39.2	20.8	-0.1	4.3
Management/Administrative	522.1	551.9	559.3	7.4	37.2	41.8	1.3	7.1
Educational Services	990.7	961.1	957.2	-3.9	-33.5	-44.5	-0.4	-3.4
Health Care/Social Assistance	1,447.3	1,518.6	1,537.4	18.8	90.1	65.5	1.2	6.2
Information/Culture/Recreation	630.6	664.7	676.4	11.7	45.8	40.2	1.8	7.3
Accommodation & Food	918.0	970.8	939.7	-31.1	21.7	-10.9	-3.2	2.4
Other Services	711.3	700.3	722.3	22.0	11.0	13.4	3.1	1.5
Public Administration	767.6	743.2	754.4	11.2	-13.2	-13.4	1.5	-1.7

\*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.





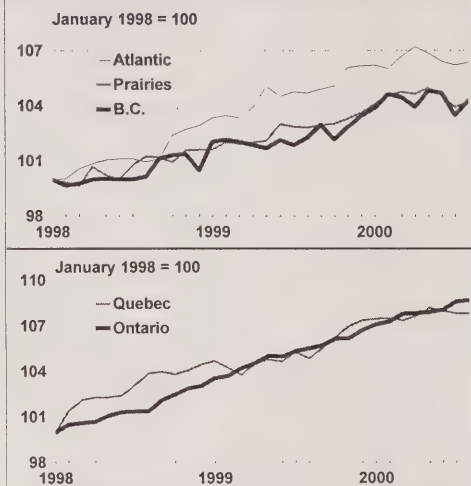
### British Columbia leads August job gains...

- Employment was up in 7 of 10 provinces in August, with British Columbia accounting for just over half of the overall gain. Job losses were posted by Saskatchewan, Nova Scotia and PEI.

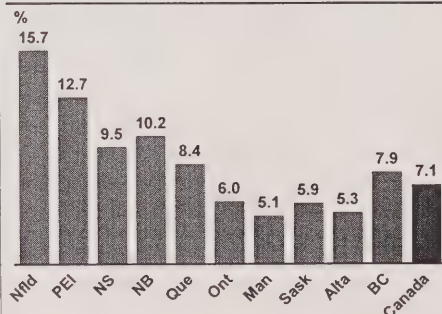
### ...but unemployment rises in most provinces

- While employment was up strongly in British Columbia, a much larger increase in the labour force drove up the unemployment rate 0.8 percentage points to 7.9% in August. Ontario's unemployment rate was up 0.7 points to 6.0%, also reflecting a sharp increase in its labour force.
- All three provinces posting job losses – Saskatchewan, Nova Scotia and P.E.I. – registered higher unemployment rates in August.
- Quebec, Newfoundland and New Brunswick were the only provinces with lower unemployment rates. The unemployment rate was unchanged in Manitoba.
- There is considerable variation in unemployment rates across provinces. At 5.1%, Manitoba has the lowest provincial unemployment rate, while Newfoundland has the highest rate at 15.7%

### Regional employment patterns



### Unemployment Rates -- August 2000



### Provincial Employment and Unemployment Trends

Provincial Employment and Unemployment Trends								
	Employment (thousands)					Unemployment rate (%)		
	<u>Levels</u>	<u>Change since</u>		<u>Change since</u>		<u>Levels</u>	<u>Change since</u>	
	<u>2000</u>	<u>last month</u>		<u>last year</u>			<u>last</u>	<u>last</u>
	August	(000's)	%	(000's)	%		month	year
Canada	14,900.8	27.3	0.2	354.5	2.4	7.1	0.3	-0.6
Newfoundland	203.5	2.0	1.0	-0.7	-0.3	15.7	-0.4	-1.3
P.E.I.	63.8	-0.1	-0.2	2.8	4.6	12.7	0.4	-0.8
Nova Scotia	416.3	-3.4	-0.8	6.2	1.5	9.5	0.3	0.3
New Brunswick	336.1	2.7	0.8	7.3	2.2	10.2	-0.1	1.1
Quebec	3,441.0	0.6	0.0	95.2	2.8	8.4	-0.4	-1.4
Ontario	5,880.9	4.8	0.1	172.6	3.0	6.0	0.7	-0.1
Manitoba	558.2	3.9	0.7	14.2	2.6	5.1	0.0	-1.2
Saskatchewan	479.5	-4.3	-0.9	-2.2	-0.5	5.9	0.6	-0.1
Alberta	1,577.6	6.2	0.4	21.7	1.4	5.3	0.1	-0.8
B.C.	1,943.9	14.9	0.8	37.6	2.0	7.9	0.8	-1.0





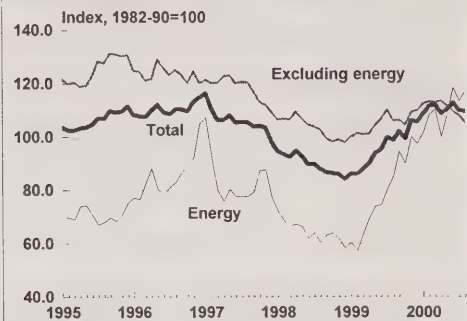
### *Inflation rises to 3.0% in July...*

- Consumer prices were up 3.0% in July on a year-over-year basis, with higher energy prices accounting for half of the overall rise. Increased costs for mortgage interest and tuition fees also contributed, but prices were lower for automotive vehicles, computer equipment & supplies, and clothing.
- On a monthly basis, consumer prices were up 0.4% in July, following an increase of 0.6% the previous month.

### *...but the "core" rate remains in the bottom half of the official target range*

- Excluding energy, food and indirect taxes, the "core" rate of inflation was 1.5% in July, well within the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices were up 10.8% in August on a year-over-year basis. This can be attributed to higher energy prices (+37.4%), as prices for non-energy commodities fell 0.6%.

### Commodity Prices (\$U.S. basis)



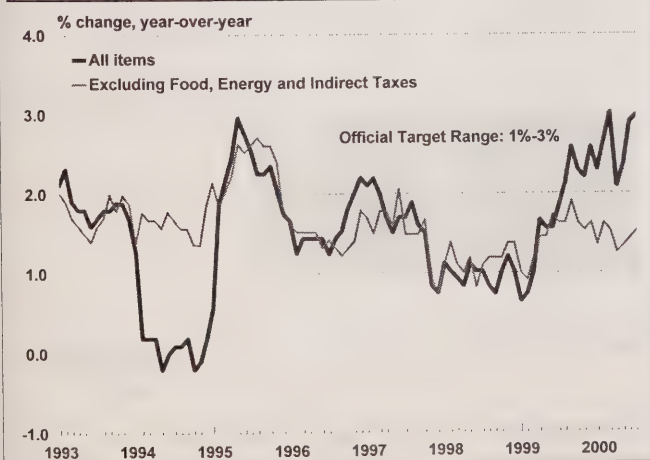
### Consumer Prices

July 2000	Index (1992=100)	% Change since	
		last month	last year
All items CPI	114.1	0.4	3.0
Food	113.4	0.4	1.9
Shelter	108.7	0.6	3.7
Household operations	110.5	0.5	1.2
Clothing & Footwear	104.7	0.1	0.2
Transportation	131.2	-0.5	5.2
Health & Personal Care	112.0	0.1	1.4
Recreation, Educ. & Reading	124.9	0.8	2.7
Alcohol & Tobacco	98.0	0.1	3.5
Excl. Food/Energy/Indirect Taxes	113.8	0.2	1.5
Energy	129.5	0.9	17.8

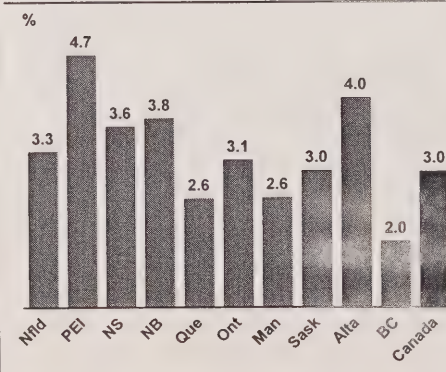
### Commodity Prices (August)

Index, 1982-90=100	109.5	-0.5	10.8
Excluding Energy	105.5	-2.3	-0.6
Energy	117.1	3.2	37.4

### Consumer Price Index



### Provincial CPI Inflation -- July 2000









### Short term interest rates are virtually unchanged in August...

- The Bank of Canada's trendsetting Bank Rate held steady at 6.0% in August. The last increase in the Bank Rate was in May.
- Market-determined short-term interest rates have also been quite stable, hovering around the 5.9% mark since June. Canadian short-term interest rates closed 67 basis points below comparable U.S. rates on September 6.

### ...but long-term yields edge lower

- Indications of a moderate slowdown and higher productivity growth (particularly in the U.S. economy), helped push Canadian bond yields down to their lowest levels of the year in August. The long-term interest rate fell to 5.44% on August 18, but subsequently rose above 5.5% later in the month.
- The gap between Canadian and U.S. long term interest rates narrowed slightly in August. As of September 6, Canadian rates stood 23 basis points below comparable U.S. yields. Domestic long rates also remain below domestic short rates.

### Key Money Market Rates

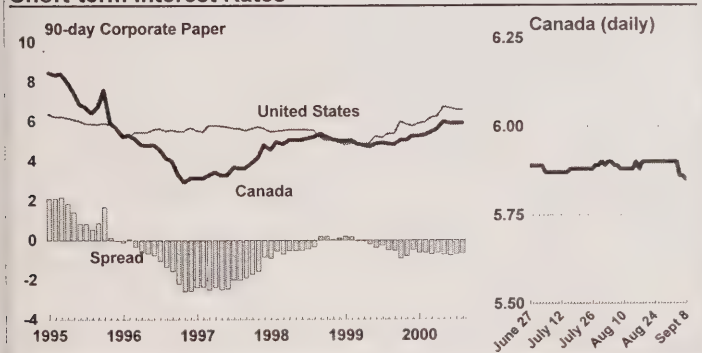
(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Mar 2000	5.46	-0.72	5.84	-0.15
April	5.62	-0.64	5.92	-0.03
May	5.98	-0.74	5.63	-0.39
June	5.89	-0.78	5.61	-0.36
July	5.88	-0.71	5.55	-0.27
August	5.90	-0.67	5.51	-0.23
Sept 6	5.86	-0.67	5.51	-0.23

A positive spread indicates that Canadian rates are above their U.S. counterparts.

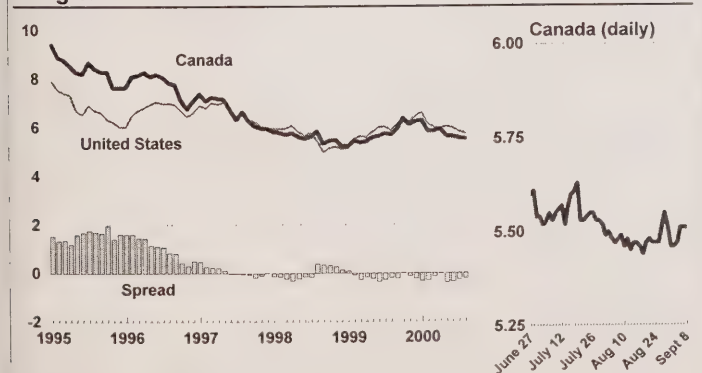
### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Mar 2000	5.50	7.00	7.70	8.35
April	5.50	7.00	7.70	8.35
May	6.00	7.50	8.30	8.75
June	6.00	7.50	8.10	8.45
July	6.00	7.50	7.90	8.25
August	6.00	7.50	7.90	8.25
Sept 6	6.00	7.50	7.90	8.25

### Short-term Interest Rates



### Long-term Bond Yields







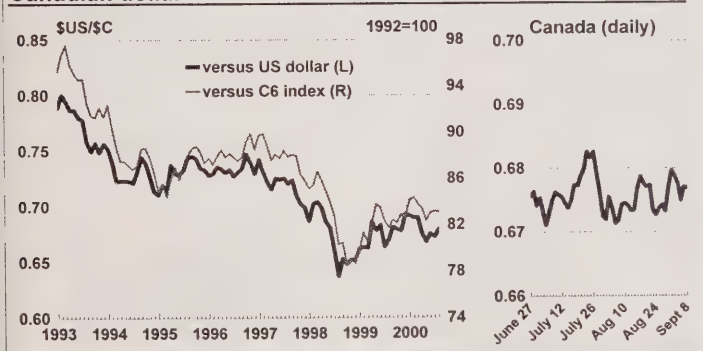
### The TSE 300 hits a new record...

- Strength across several sectors, including Paper & Forest, Oil & Gas and Financial Services, lifted the TSE 300 to a 8.1% gain in August. This advance propelled the TSE to a record high close of 11,389 on September 1. However, the TSE subsequently fell back sharply, with heavy losses in technology companies.
- U.S. stocks continue to underperform Canadian stocks, with the Dow Jones Industrial Average rising 6.6% and the S&P 500 gaining 6.1% in August. On a year-over-year basis, the TSE 300 was 61.4% higher in August, making it one of the best-performing stock markets in the world.

### ...and the Canadian dollar is up

- The Canadian dollar was volatile for much of August, but reached \$US 0.6796 on September 1. Stronger-than-expected growth in the second quarter and Canada's second consecutive current account surplus supported the dollar. The currency later retreated, however, pulled down by strong international demand for the U.S. currency. Still, the dollar closed out September 8 at \$US0.6769, nearly half a cent higher than at the end of July.

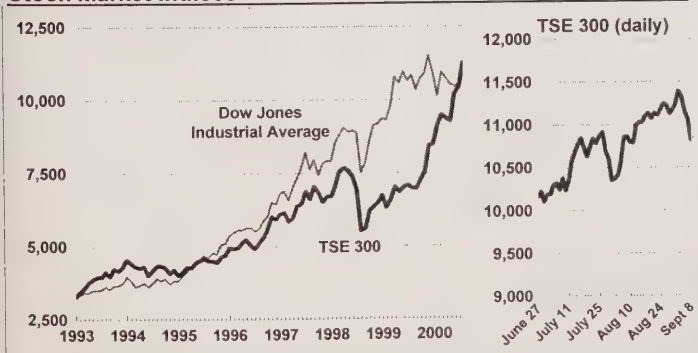
#### Canadian dollar



#### The Canadian Dollar

(close)	\$US vs. \$Cdn	Index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Mar 2000	0.6899	83.84	1.388	72.77
April	0.6756	83.47	1.409	71.90
May	0.6682	82.37	1.442	72.41
June	0.6754	83.06	1.393	71.84
July	0.6725	83.17	1.410	73.23
August	0.6796	83.13	1.459	72.86
Sept 8	0.6769			

#### Stock Market Indices



#### Key Stock Market Indexes

	August Close	% change from last month	% change from last year
TSE 300	11,248	8.1	61.4
Oil & Gas	7,659	9.0	16.4
Metals & Minerals	3,635	7.2	-10.2
Utilities	14,130	-0.8	83.1
Paper & Forest	5,425	10.5	9.3
Merchandising	5,316	0.9	2.0
Financial Services	9,277	8.8	32.0
Gold	4,085	3.2	-21.1
Price-Earnings Ratio*	37.9	7.6	3.1
S&P 500	1,518	6.1	14.9
Dow Jones	11,215	6.6	3.6

\*columns 2 & 3 reflect change in levels



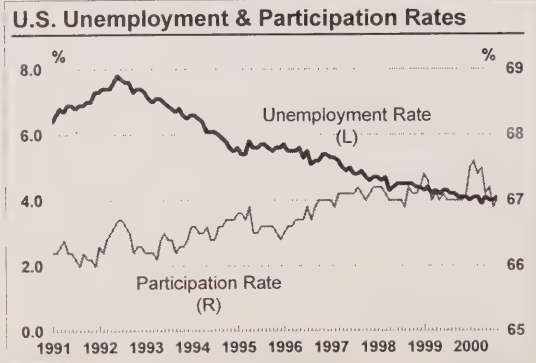
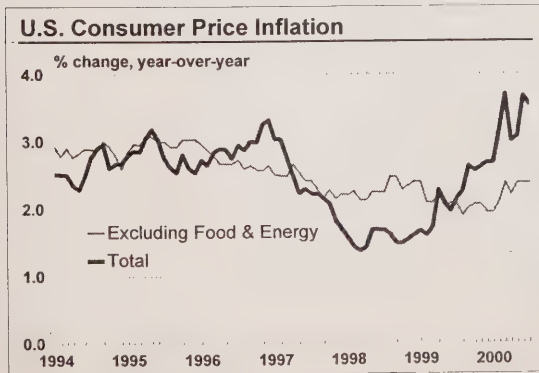
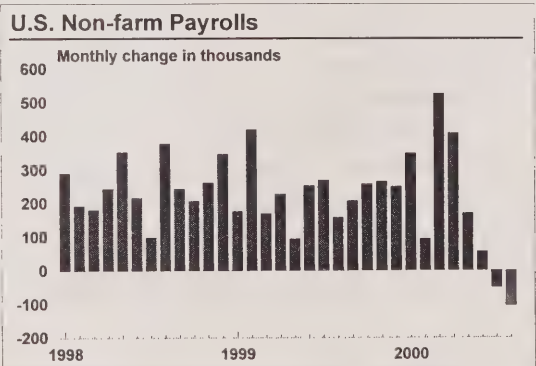
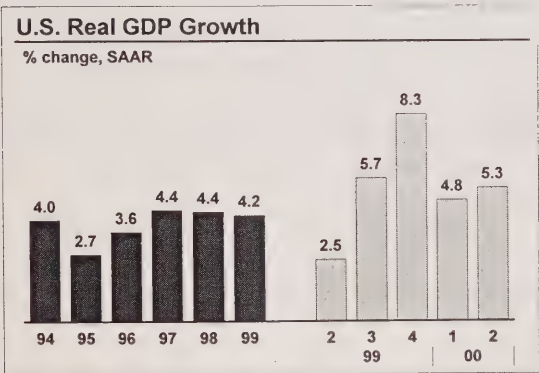


*The U.S. economy grows strongly in the second quarter...*

- Preliminary estimates indicate that U.S. real GDP surged 5.3% (annual rate) in the second quarter of 2000. Solid gains in non-residential fixed investment, consumer spending on services, and inventory investment more than offset strong import growth and a slowdown in purchases of durable goods.
- However, employment fell by 105,000 in August, reflecting in large part a decline in government employment attributed to the departure of temporary Census workers and a strike in the communications industry. The U.S. unemployment rate edged up to 4.1%.
- The U.S. trade deficit soared to a record \$30.6 billion in June, up slightly from May's revised deficit of \$30.3 billion. A jump in imports (4.6%), led by crude oil, widened the deficit despite strong export growth (3.7%).

*... but the Fed leaves interest rates unchanged*

- In a widely anticipated move, the Federal Reserve left interest rates unchanged at its August 28 meeting. The Fed seems generally content with the current expansion of the economy, especially with productivity growth revised up to 5.7% (annual rate) in the second quarter. However, noting that risks are weighted mainly toward increased inflationary pressures, the Fed adopted a bias toward future tightening.









**CANADA**

Consumer Price Index – August .....	September 14
Survey of Manufacturing – July .....	September 19
International Trade – July .....	September 20
GDP at factor cost – July .....	September 29
Labour Force Survey – September .....	October 6
Business Conditions Survey – October .....	November 2
Financial Statistics For Enterprises – 3rd Quarter 2000 .....	November 24
National Economic & Financial Accounts – 3rd Quarter 2000 .....	November 30
Balance of International Payments – 3rd Quarter 2000 .....	November 30
Capacity Utilization Rates – 3rd Quarter 2000 .....	December 7

**UNITED STATES**

Consumer Price Index – August .....	September 15
International Trade – July .....	September 20
GDP – 2nd Quarter 2000, Final .....	September 28
Federal Open Market Committee meeting .....	October 3
Employment Situation – September .....	October 6

Note: the September MEI uses data available as of September 8, 2000



# MONTHLY ECONOMIC INDICATORS

October 2000

## HIGHLIGHTS

-  *The high-tech sector fuels output growth in July.*
-  *Employment gains lower Canada's unemployment rate to 6.8% in September.*
-  *CPI inflation falls to 2.5% in August, as the impact of higher energy prices moderates.*
-  *A sharp fall in exports reduces Canada's trade surplus in July.*
-  *Canadian stock prices retreat in September as the dollar weakens.*

## Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	789.6	0.3	4.6	July
Goods	259.1	-0.0	4.8	July
Services	530.5	0.4	4.4	July
Composite Index	164.8	0.4	8.1	Aug
Employment (000's)	14,957	0.4	2.5	Sept
Full-time	12,212	0.2	2.6	Sept
Part-time	2,745	1.0	1.8	Sept
Unemployment* (%)	6.8	7.1	7.4	Sept
Youth*	12.7	13.0	14.2	Sept
Adult*	5.7	5.9	6.1	Sept
CPI inflation*	2.5	3.0	2.1	Aug
Retail Sales (\$M)	23,328	1.3	6.7	July
Housing Starts (000's)	156.4	7.1	2.6	Sept
Trade Balance* (\$M)	4,192	5,116	3,273	July
Exports	34,475	-2.9	13.9	July
Imports	30,283	-0.4	12.2	July
M&E	10,333	0.9	15.6	July
3-mth Corp. paper* (%)	5.83	5.90	4.83	Oct 4
Long bond yield* (%)	5.70	5.51	5.91	Oct 4
Canadian dollar* (US¢)	66.59	67.96	68.15	Oct 6

\*Data in levels only – % change not reported.

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnm/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnm/mera/engdoc/03.html).



Industry  
Canada

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Canada



# **MONTHLY ECONOMIC INDICATORS**

## **October 2000**

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This report uses data available as of October 6, 2000. It has been prepared by Éric Chalifoux, Joe Macaluso, Arif Mahmud and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).







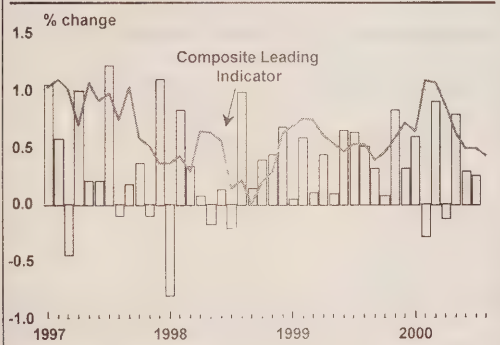
### Output gains are fuelled by the high-tech sector in July...

- Real GDP at factor cost increased 0.3% in July, down from 0.4% in June. About a third of July's advance was due to higher output of computer and telecommunications equipment and computer consulting services.

### ...but resource-based industries are weak

- Despite a gain in Manufacturing – driven in particular by increased production of computer & telecommunications equipment – output in the Goods sector was flat overall in July. A sharp decline in the Mining industry was the result of lower production of potash and most metals. Other notable weaknesses were in Other Utilities and Logging & Forestry, the latter affected by a strike by forestry workers in B.C.
- The Services sector expanded by 0.4% in July, unchanged from the previous month. Significant gains were recorded in Retail Trade and Business Services, the latter posting its strongest increase in 2 1/2 years. Almost 60% of the increase in Business Services originated in computer services.

Real GDP at Factor Cost

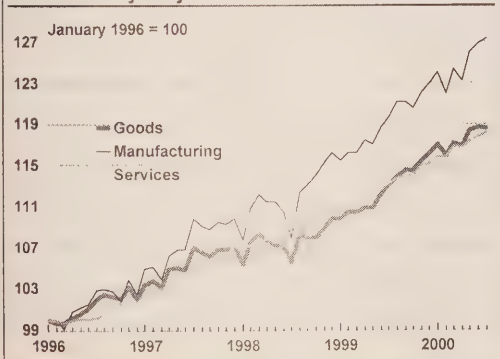


Real GDP at Factor Cost (1992 dollars)

July 2000	\$ millions	monthly change	% Change since last	
			month	year
<b>Total Economy</b>	<b>789,572</b>	<b>1,970</b>	<b>0.3</b>	<b>4.6</b>
<b>Business sector</b>	<b>660,817</b>	<b>1,952</b>	<b>0.3</b>	<b>5.2</b>
<b>Goods</b>	<b>259,076</b>	<b>-57</b>	<b>-0.0</b>	<b>4.8</b>
Agriculture	13,147	3	0.0	-2.5
Fishing & Trapping	679	-4	-0.6	-8.2
Logging & Forestry	4,824	-141	-2.8	-1.6
Mining*	27,117	-579	-2.1	6.1
Manufacturing	144,912	627	0.4	6.5
Construction	42,390	313	0.7	4.1
Other Utilities	26,007	-276	-1.1	1.3
<b>Services</b>	<b>530,496</b>	<b>2,027</b>	<b>0.4</b>	<b>4.4</b>
Transport & Storage	36,819	103	0.3	5.5
Communications	30,287	145	0.5	9.9
Wholesale Trade	51,092	280	0.6	5.5
Retail Trade	51,323	748	1.5	6.3
Finance & Insurance	42,984	-84	-0.2	4.9
Real Estate & Ins. Agent	82,629	158	0.2	2.4
Business services	50,066	576	1.2	10.8
Government services	47,016	50	0.1	2.5
Education	40,855	15	0.0	0.5
Health & Social Services	46,499	-9	-0.0	1.2
Accommodation & Food	21,047	40	0.2	4.8
Other	29,879	5	0.0	1.5

\*Includes Quarrying and Crude Petroleum & Natural Gas

Real GDP by major sector





## Consumer Spending and Attitudes



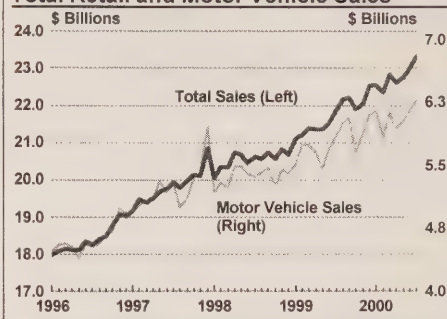
### Consumer spending is strong in the second quarter...

- Real consumption rose 3.6% (annual rate) in the second quarter of 2000, in line with growth in the previous two quarters.
- Spending on services experienced a substantial boost on the quarter. However, growth in purchases of interest-sensitive durable and semi-durable goods slowed considerably from the previous period.

### ...and rises further early in the third quarter

- Continuing income gains and higher consumer confidence should support further increases in household spending. Personal disposable income surged 8.1% (annual rate) in the second quarter, boosted by federal pay equity payments.
- Early figures for the third quarter point to a 1.3% rise in retail sales for July, building on solid gains in May and June. Gains were widespread, but led by increases in the Automotive sector, General Merchandise Stores, and a sharp turnaround in Furniture sales. Preliminary figures for August point to a sharp gain in auto sales.

### Total Retail and Motor Vehicle Sales



### Retail Sales and Consumer Credit

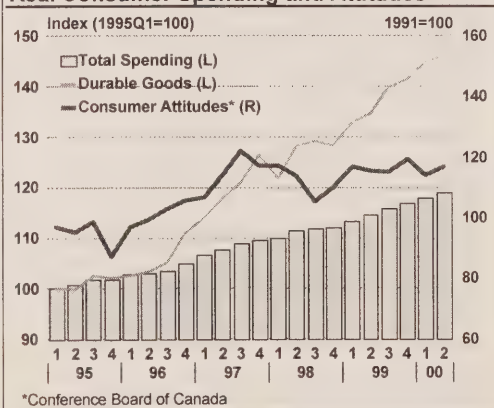
July 2000

	\$ millions	% Change since	
		last month	last year
<b>Total Retail Sales (S.A.)</b>	<b>23,328</b>	<b>1.3</b>	<b>6.7</b>
Food	5,096	1.0	4.0
Drug Stores	1,138	0.5	2.0
Clothing	1,261	0.8	3.9
Furniture	1,277	2.0	10.7
Automotive	9,427	1.7	9.7
General Merch. Stores	2,657	1.9	4.4
All other Stores	2,472	0.5	5.2
Total ex. motor vehicles	17,059	1.2	6.5
<b>Consumer Credit (unadjusted)</b>	<b>183,645</b>	<b>0.3</b>	<b>9.6</b>

### Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)				
	1998	1999	2000 Q1	2000 Q2
<b>Real Consumption (92\$)</b>	487,866	504,763	516,732	521,312
% change	2.9	3.5	3.4	3.6
Durable Goods	66,487	71,859	75,824	76,504
% change	5.9	8.1	9.4	3.6
Semi-Durable Goods	45,751	47,103	48,572	48,728
% change	4.4	3.0	8.9	1.3
Non-Durable Goods	120,795	123,344	125,028	125,464
% change	1.7	2.1	1.4	1.4
Services	254,833	262,457	267,308	270,616
% change	2.5	3.0	1.7	5.0
<b>Disposable Income</b>	567,960	590,608	611,864	623,912
% change	3.9	4.0	7.7	8.1
<b>Saving Rate (%)</b>	4.5	3.7	3.9	4.4
<b>Debt-to-Income Ratio (%)</b>	94.9	96.1	95.8	95.1

### Real Consumer Spending and Attitudes



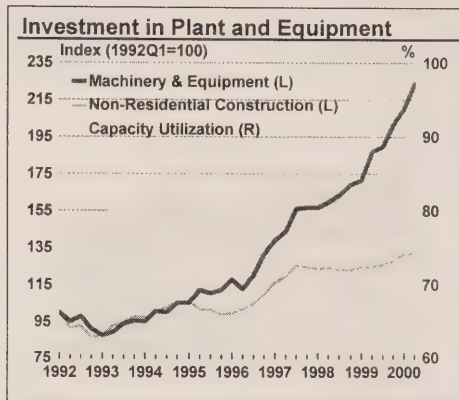
\*Conference Board of Canada





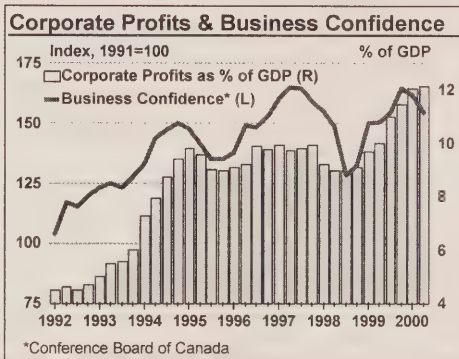
### *Business investment rises faster in the second quarter...*

- Business investment recorded another solid advance in the second quarter, extending its recent string of sharp gains. Spending on Machinery & Equipment (M&E) soared 28.5% (annual rate), due mainly to higher purchases of computers and other office equipment. Increased purchases of transportation equipment by the oil and gas sector also played a role.
- Growth in Non-Residential Construction slowed to 2.9% (annual rate), following an increase of 10.2% in the first quarter.



### *...and is expected to grow further for the rest of the year*

- The investment outlook remains positive, given recent gains in corporate profits and rising capacity utilization rates.
- Indeed, imports of machinery and equipment rose 0.9% in July. Building in the non-residential sector has also bounced back strongly following the resolution of a strike by cement truck drivers in Toronto.



### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q3	1999 Q4	2000 Q1	2000 Q2
<b>BUSINESS INVESTMENT</b>						
<b>Machinery &amp; Equipment (1992\$)</b>	65,357	75,557	76,508	81,248	84,704	90,184
% change	9.0	15.6	6.0	27.2	18.1	28.5
<b>Non-residential Construction (1992\$)</b>	39,502	40,288	40,200	41,040	42,052	42,352
% change	1.7	2.0	2.5	8.6	10.2	2.9
<b>Capacity Utilization (% , Non-farm goods)</b>	83.3	84.9	85.7	86.5	87.5	87.9
Capacity Utilization (Mfg. sector)	83.8	85.7	86.7	87.0	87.8	88.4
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
<b>Corporate Operating Profits</b>	142,296.0	174,317.0	181,716.0	189,792.0	204,288.0	207,660.0
% change	-13.3	22.5	28.2	19.0	34.2	6.8
<b>Profits - Non-financial industries</b>	94,891.0	123,372.0	129,740.0	135,332.0	140,360.0	147,312.0
% change	-13.6	30.0	47.5	18.4	15.7	21.3
<b>Profits - Financial industries</b>	47,406.0	50,945.0	51,976.0	54,460.0	63,928.0	60,348.0
% change	-12.5	7.5	-7.8	20.5	89.9	-20.6
<b>Business Credit</b>	694,677.7	729,727.8	735,011.7	746,400.0	755,693.0	771,550.3
% change	10.6	5.0	7.6	6.3	5.1	8.7





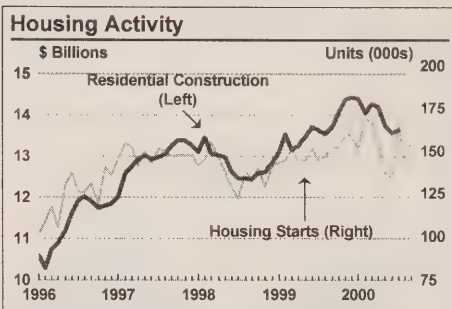


### *The housing market weakened considerably in the first half of 2000...*

- Business investment in Residential Construction fell 11.0% in the second quarter, after registering only a slight advance in the first quarter.
- A strike by cement truck drivers in Toronto contributed greatly to this slump, leading to lower investment in new housing. However, sales of existing homes were also down on the quarter, and the pace of renovation activity slowed.

### *...and may remain weak in the last half of the year*

- Residential construction rose 0.6% in July, but has yet to return to the levels of activity just prior to the Toronto strike. Housing starts were up 7.1% in September, only partially offsetting losses in August.
- Higher mortgage rates have been a major factor behind the recent weakness in the housing market. The Canada Mortgage and Housing Corporation expects that mortgage rates will decline in coming months, which could support future activity in the sector.



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	13,639	0.6%	0.1%
<b>Building Permits, \$M (2)</b>	1,886	10.7%	12.5%
<b>Sales of Existing Homes (2)</b> (# of units)	20,025	1,025	
<b>Housing Starts, # of units (3)</b>	156,400	10,400	3,900
Newfoundland	1,000	100	200
Prince Edward Island	300	-200	0
Nova Scotia	1,600	-2,500	-800
New Brunswick	3,200	1,600	1,100
Quebec	21,900	-1,400	-5,100
Ontario	67,300	5,200	6,400
Manitoba	1,300	-700	-200
Saskatchewan	1,700	-600	-1,400
Alberta	23,700	4,400	5,000
British Columbia	13,400	4,500	-1,500

1 - July data; 2 - August data; 3 - September data

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

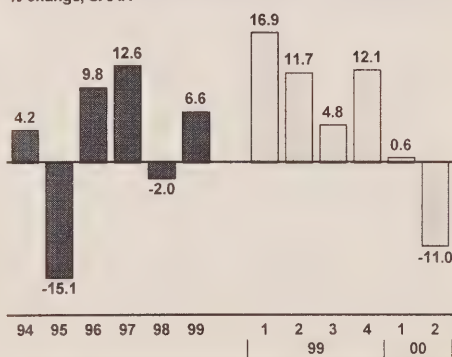
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1998	1999	2000 Q1	2000 Q2
<b>Residential Construction</b>	41,523	44,259	45,832	44,528
% change	-2.0	6.6	0.6	-10.9
<b>Construction by Business sector</b>	41,277	43,983	45,560	44,256
% change	-2.0	6.6	0.6	-11.0
<b>New Housing</b>	20,701	22,258	22,996	21,800
% change	-3.5	7.5	-7.9	-19.2
<b>Alterations &amp; Improvements</b>	13,640	14,399	15,212	15,328
% change	2.4	5.6	10.2	3.1
<b>Ownership &amp; Transfer Costs</b>	7,182	7,259	7,624	7,400
% change	-5.7	1.1	10.3	-11.2

### Growth in Real Residential Construction

% change, SAAR





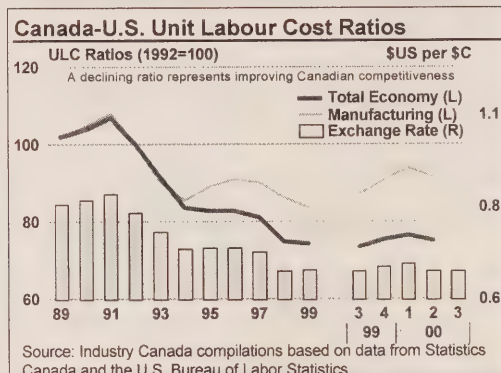
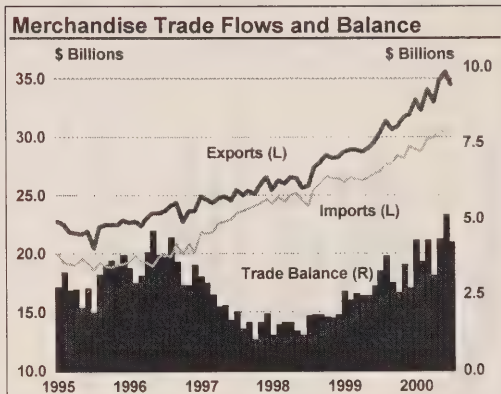


### Exports fall sharply in July...

- Exports dropped sharply in July (-2.9%), more than offsetting a strong gain in June. The biggest declines were in exports of passenger vehicles and communications equipment. Exports of crude petroleum also fell, due mainly to lower prices.
- Imports edged down 0.4% in July. Declining imports of motor vehicles were due to lower demand for heavy trucks, while Industrial Goods & Materials also posted a loss.

### ...leading to a reduced trade surplus

- With a greater decline in exports than imports, Canada's merchandise trade balance dropped to \$4.2 billion in July. Still, the cumulative trade surplus for the first seven months of the year was \$28.9 billion, up \$10.4 billion on a year-to-date basis.



### Merchandise Trade

July 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change
	June 2000	July 2000	1999 Jan-July	2000 Jan-July	June to July 2000	June to July 2000	
<b>Exports</b>	35,519	34,475	204,117	237,363	-1,044	-2.9	13.9
to United States	30,518	29,814	175,107	203,827	-704	-2.3	13.9
<b>Imports</b>	30,403	30,283	185,684	208,494	-120	-0.4	12.2
from United States	22,546	22,195	142,790	154,351	-351	-1.6	7.1
<b>Trade Balance</b>	5,116	4,192	18,433	28,869	-924		
with United States	7,972	7,619	32,317	49,476	-353		
<b>Exports by Commodity</b>							
Agriculture/Fishing Products	2,336	2,366	14,748	15,913	30	1.3	9.1
Energy Products	4,368	4,050	15,346	26,538	-318	-7.3	50.6
Forestry Products	3,506	3,505	22,337	24,569	-1	0.0	1.2
Industrial Goods & Materials	5,503	5,622	32,588	37,443	119	2.2	17.7
Machinery & Equipment	9,199	8,618	48,608	59,382	-581	-6.3	17.1
Automotive Products	8,154	7,788	54,592	56,549	-366	-4.5	3.4
Other Consumer Goods	1,207	1,229	7,845	8,357	22	1.8	10.6
<b>Imports by Commodity</b>							
Agriculture/Fishing Products	1,511	1,514	10,219	10,512	3	0.2	3.9
Energy Products	1,397	1,438	5,243	9,611	41	2.9	70.4
Forestry Products	258	241	1,564	1,755	-17	-6.6	5.2
Industrial Goods & Materials	6,070	5,921	35,211	40,980	-149	-2.5	16.3
Machinery & Equipment	10,242	10,333	61,753	69,863	91	0.9	15.6
Automotive Products	6,578	6,411	43,335	45,418	-167	-2.5	1.6
Other Consumer Goods	3,260	3,291	21,155	22,767	31	1.0	6.6



# LABOUR MARKET TRENDS

## Employment and Unemployment

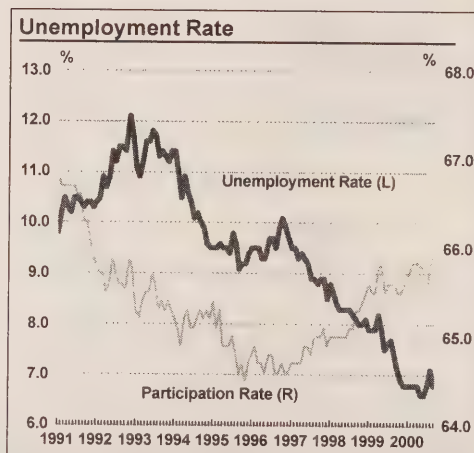
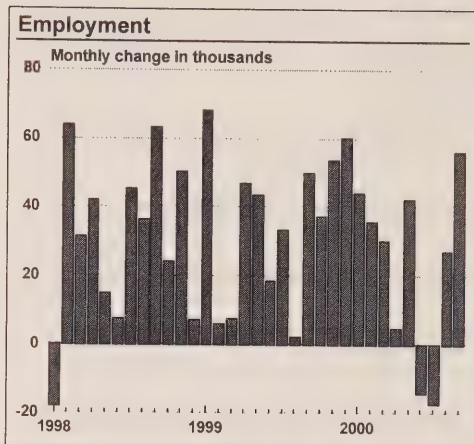


### Solid job gains in September...

- Employment rose by 56,000 in September, its biggest advance so far this year. The monthly gain was shared by full-time (+29,000) and part-time work (+27,000)
- A sharp increase in youth employment (+35,000) was a major contributor to this increase, with most of these gains in part-time positions.

### ...lower the unemployment rate to 6.8%

- The national unemployment rate fell 0.3 percentage points to 6.8% in September. Following a sharp rise in the labour force in the previous month, the participation rate was unchanged at 65.9%, its highest rate since 1991.
- The youth unemployment rate dropped 0.3 percentage points to 12.7% in September, while the adult unemployment rate fell 0.2 points to 5.7%.



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 September	2000 August	2000 September	last month	last year	year-to- date	last month	last year
Employment	14,596.3	14,900.8	14,957.1	56.3	360.8	209.6	0.4	2.5
Full-time	11,899.5	12,182.4	12,211.7	29.3	312.2	116.3	0.2	2.6
Part-time	2,696.8	2,718.4	2,745.4	27.0	48.6	93.3	1.0	1.8
Youth 15-24	2,221.9	2,278.5	2,313.5	35.0	91.6	59.4	1.5	4.1
Adult 25+	12,374.5	12,622.3	12,643.5	21.2	269.0	150.2	0.2	2.2
Self-employed	2,433.6	2,387.5	2,382.3	-5.2	-51.3	-126.7	-0.2	-2.1
Unemployment	1,168.1	1,135.7	1,098.8	-36.9	-69.3	23.9	-3.2	-5.9
Unemployment Rate	7.4	7.1	6.8	-0.3	-0.6	0.0		
Youth 15-24	14.2	13.0	12.7	-0.3	-1.5	-0.4		
Adult 25+	6.1	5.9	5.7	-0.2	-0.4	0.1		
Labour Force	15,764.5	16,036.5	16,055.8	19.3	291.3	233.5	0.1	1.8
Participation Rate	65.6	65.9	65.9	0.0	0.3	0.3		
Employment Rate	60.7	61.2	61.4	0.2	0.7	0.2		



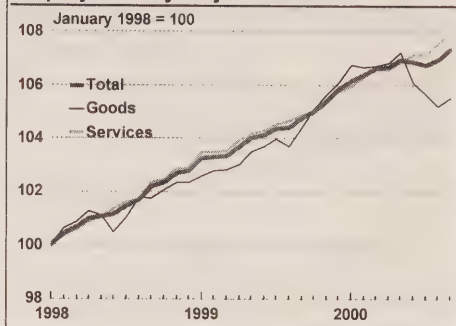




### Employment growth is concentrated in Services and Construction...

- Employment in Services rose 44,000 in September, extending its recent strong performance. Notable increases were registered in Accommodation & Food, Educational and Professional/Scientific Services, as well as in Public Administration.
- Following four straight monthly declines, employment was up 12,000 in the Goods sector on the month. The Construction industry accounted for most of the increase, as employment was little changed in Manufacturing and down slightly in the Agriculture sector.

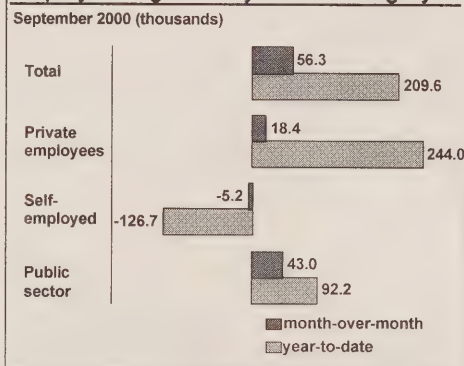
### Employment by major sector



### ...and in the public sector

- The public sector accounted for a large share of the total rise in employment in September (+43,000). The number of paid employees in the private sector was up 18,000, but self-employment remains weak, falling 5,000.

### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 September	2000 August	2000 September	last month	last year	year-to-date	last month	last year
<b>Goods-producing</b>	3,804.4	3,832.4	3,844.6	12.2	40.2	-20.7	0.3	1.1
Agriculture	405.3	367.9	360.2	-7.7	-45.1	-38.9	-2.1	-11.1
Natural Resources*	264.7	282.4	284.9	2.5	20.2	9.6	0.9	7.6
Utilities	115.8	115.5	116.4	0.9	0.6	1.0	0.8	0.5
Construction	772.5	806.4	820.0	13.6	47.5	12.6	1.7	6.1
Manufacturing	2,246.2	2,260.1	2,263.1	3.0	16.9	-5.1	0.1	0.8
<b>Services-producing</b>	10,791.9	11,068.4	11,112.5	44.1	320.6	230.3	0.4	3.0
Trade	2,260.7	2,341.2	2,347.8	6.6	87.1	76.1	0.3	3.9
Transportation	751.0	767.9	767.5	-0.4	16.5	3.3	-0.1	2.2
FIRE*	867.8	865.4	862.3	-3.1	-5.5	-3.0	-0.4	-0.6
Professional/Scientific	911.5	947.3	959.5	12.2	48.0	33.0	1.3	5.3
Management/Administrative	509.9	559.3	563.3	4.0	53.4	45.8	0.7	10.5
Educational Services	992.4	957.2	973.7	16.5	-18.7	-28.0	1.7	-1.9
Health Care/Social Assistance	1,452.5	1,537.4	1,538.4	1.0	85.9	66.5	0.1	5.9
Information/Culture/Recreation	634.6	676.4	676.6	0.2	42.0	40.4	0.0	6.6
Accommodation & Food	932.7	939.7	961.0	21.3	28.3	10.4	2.3	3.0
Other Services	710.1	722.3	696.0	-26.3	-14.1	-12.9	-3.6	-2.0
Public Administration	768.9	754.4	766.3	11.9	-2.6	-1.5	1.6	-0.3

\*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.





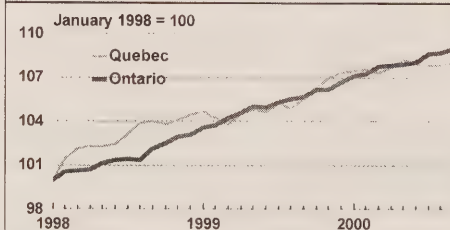
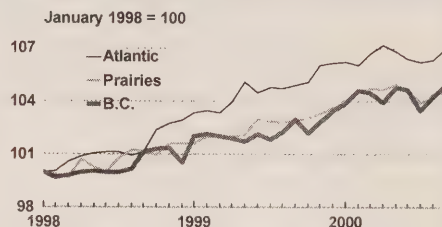
### Ontario, Alberta and British Columbia lead September job gains...

- Employment was up in all provinces in September. Ontario, Alberta and British Columbia accounted for roughly three-quarters of the overall gain.

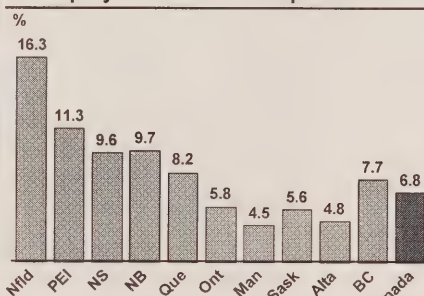
### ...as the unemployment rate declines in most provinces

- Although Newfoundland recorded a solid employment gain, an even larger increase in the number of job seekers drove up the unemployment rate by 0.6 percentage points to 16.3%. The unemployment rate in Nova Scotia was also up, as increases in the labour force outpaced job growth in September.
- The unemployment rate fell 1.4 points to 11.3% in P.E.I., the biggest drop among all provinces. Manitoba, Alberta and New Brunswick also registered substantial declines in their unemployment rates in September.
- There is considerable variation in unemployment rates across provinces. At 4.5%, Manitoba has the lowest provincial unemployment rate, while Newfoundland has the highest rate at 16.3%.

### Regional employment patterns



### Unemployment Rates -- September 2000



### Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	<u>Levels</u> 2000 September	<u>Change since last month</u>		<u>Change since last year</u>		<u>Levels</u>	<u>Change since last month</u>		
		(000's)	%	(000's)	%		last month	last year	
Canada	14,957.1	56.3	0.4	360.8	2.5	6.8	-0.3	-0.6	
Newfoundland	206.2	2.7	1.3	-0.4	-0.2	16.3	0.6	-0.5	
P.E.I.	65.2	1.4	2.2	4.5	7.4	11.3	-1.4	-2.5	
Nova Scotia	417.6	1.3	0.3	7.3	1.8	9.6	0.1	-0.2	
New Brunswick	337.0	0.9	0.3	8.5	2.6	9.7	-0.5	-0.3	
Quebec	3,447.9	6.9	0.2	80.9	2.4	8.2	-0.2	-0.7	
Ontario	5,899.0	18.1	0.3	179.8	3.1	5.8	-0.2	-0.5	
Manitoba	558.7	0.5	0.1	13.7	2.5	4.5	-0.6	-1.3	
Saskatchewan	480.8	1.3	0.3	-2.9	-0.6	5.6	-0.3	0.2	
Alberta	1,589.6	12.0	0.8	33.7	2.2	4.8	-0.5	-1.0	
B.C.	1,954.9	11.0	0.6	35.5	1.8	7.7	-0.2	-0.2	





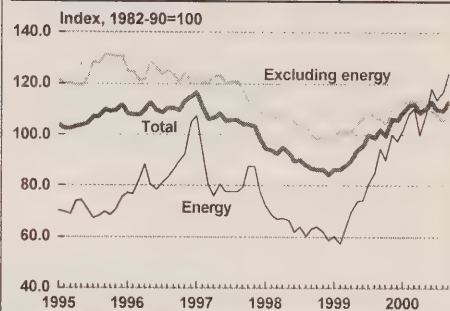
### *Inflation falls in August as energy prices moderate...*

- Consumer prices were up 2.5% in August on a year-over-year basis, down from 3.0% in July. Higher energy prices were the main contributors to August inflation, although this impact was smaller than in previous months. The Clothing index was the only major component for which prices were lower compared to a year ago.
- On a monthly basis, consumer prices fell 0.2% in August, following an increase of 0.4% the previous month.

### *...and the "core" rate remains in the bottom half of the official target range*

- Excluding energy, food and indirect taxes, the "core" rate of inflation held steady at 1.5% in August, well within the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices were up 10.5% in September on a year-over-year basis. This can be attributed mostly to higher energy prices (+31.2%), as non-energy commodity prices edged up only 0.7%.

### Commodity Prices (\$U.S. basis)



### Consumer Prices

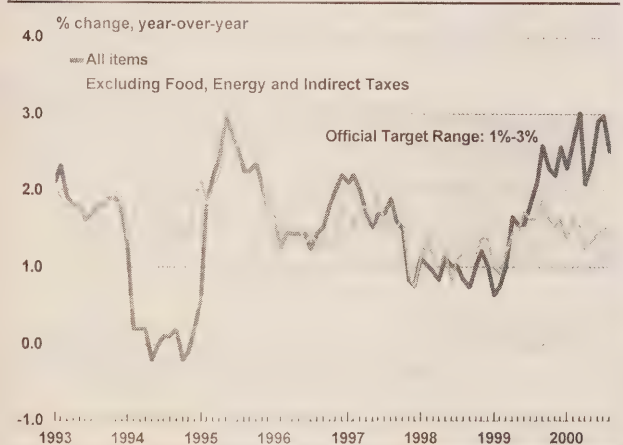
August 2000

	Index (1992=100)	% Change since last month	% Change since last year
All items CPI	113.9	-0.2	2.5
Food	113.1	-0.3	2.4
Shelter	109.0	0.3	3.8
Household operations	110.5	0.0	1.3
Clothing & Footwear	105.4	0.7	-0.8
Transportation	130.0	-0.9	2.8
Health & Personal Care	112.4	0.4	1.7
Recreation, Educ. & Reading	124.8	-0.1	2.5
Alcohol & Tobacco	98.0	0.0	3.6
Excl. Food/Energy/Indirect Taxes	114.0	0.2	1.5
Energy	127.3	-1.7	11.9

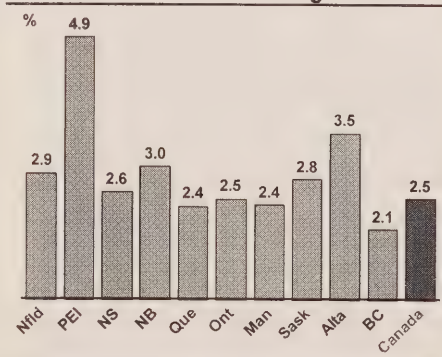
### Commodity Prices (September)

Index, 1982-90=100	112.9	3.1	10.5
Excluding Energy	107.0	1.5	0.7
Energy	124.1	6.0	31.2

### Consumer Price Index



### Provincial CPI Inflation -- August 2000







# PRICES and FINANCIAL MARKETS

## Short-term and Long-term Interest Rates

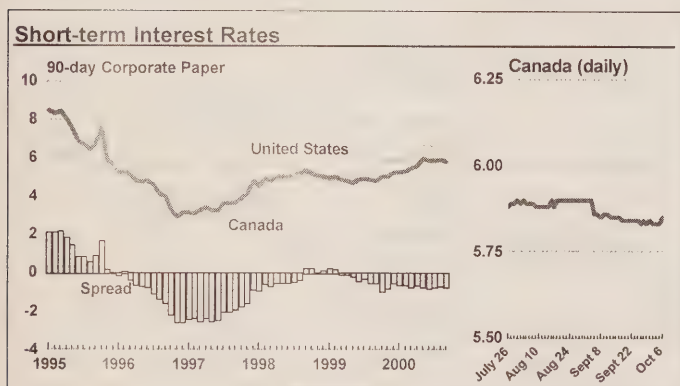


### Short term interest rates are down slightly in September...

- The Bank of Canada's trendsetting Bank Rate has held steady at 6.0% since May. Market-determined short-term interest rates have also been quite stable, hovering around the 5.8% mark through most of September. Canadian short-term interest rates closed 76 basis points below comparable U.S. rates on October 4.

### ...but long-term yields edge up

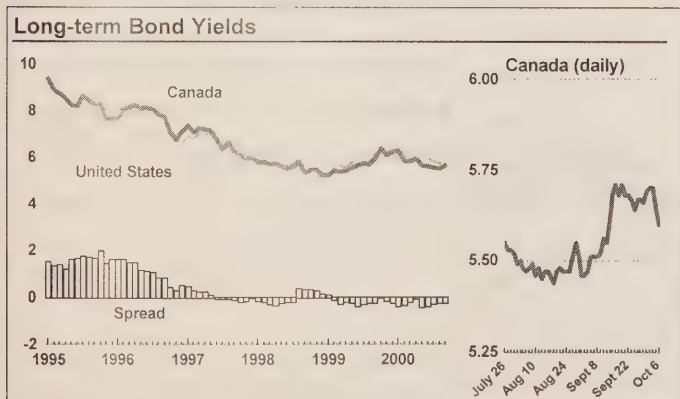
- Canadian long-term bond yields opened September at 5.46%, but subsequently rose above 5.7% by the middle of the month, their highest level since May. The run-up in long-term rates occurred as rising oil prices raised concern of higher inflation, prompting North American investors to switch to shorter maturities.
- With bond yields rising in tandem across North America, the gap between Canadian and U.S. long-term interest rates was virtually unchanged in September. As of October 4, Canadian rates stood 25 basis points below comparable U.S. yields.



### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
April 2000	5.62	-0.64	5.92	-0.03
May	5.98	-0.74	5.63	-0.39
June	5.89	-0.78	5.61	-0.36
July	5.88	-0.71	5.55	-0.27
August	5.90	-0.67	5.51	-0.23
Sept	5.83	-0.72	5.67	-0.23
Oct 4	5.83	-0.76	5.70	-0.25

A positive spread indicates that Canadian rates are above their U.S. counterparts.



### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
April 2000	5.50	7.00	7.70	8.35
May	6.00	7.50	8.30	8.75
June	6.00	7.50	8.10	8.45
July	6.00	7.50	7.90	8.25
August	6.00	7.50	7.90	8.25
Sept	6.00	7.50	7.90	8.25
Oct 4	6.00	7.50	7.90	8.25





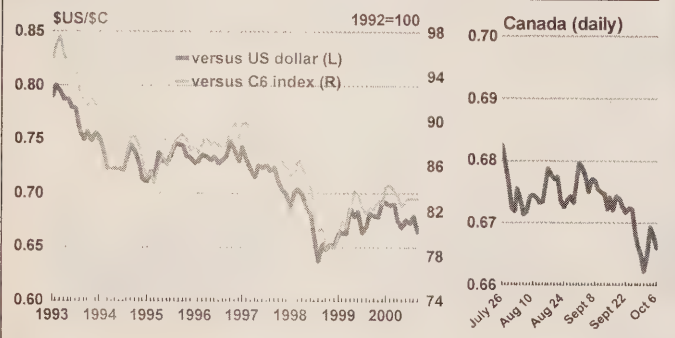
### Stock prices slip in September...

- After beginning September at a record high, the TSE 300 index lost ground throughout the month and into early October. Stock prices were down 7.7% overall in September, with losses concentrated in the Paper & Forest and Metals & Minerals sectors. A less optimistic outlook for earnings in the high-tech sector also pulled the TSE 300 down. Despite September's slide, the TSE was up 49.2% on a year-over-year basis.
- The US S&P 500 and Dow Jones Industrial Average also fell back in September, finishing the month down 5.3% and 5.0% respectively.

### ...and the dollar falls

- The Canadian dollar closed out August at just below \$US 0.68, buoyed by expectations that the federal budgetary surplus would be larger than previously thought. However, the currency fell through much of September, and reached a four-month low of \$US 0.6622 on October 2. Market analysts attributed the weakness to strong international demand for the U.S. currency.

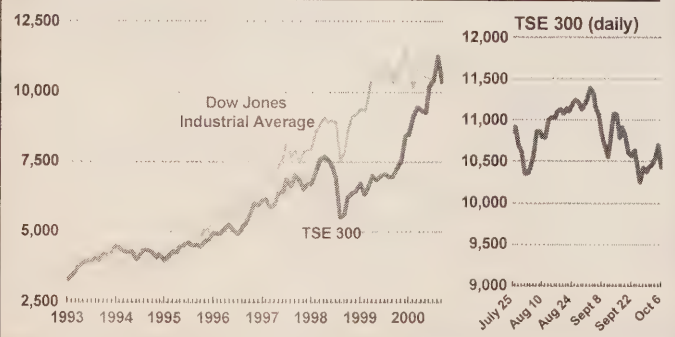
#### Canadian dollar



#### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
April 2000	0.6756	83.47	1.409	71.90
May	0.6682	82.37	1.442	72.41
June	0.6754	83.06	1.393	71.84
July	0.6725	83.17	1.410	73.23
August	0.6796	83.13	1.459	72.86
Sept	0.6651	83.16	1.513	71.88
Oct 6	0.6659			

#### Stock Market Indices



#### Key Stock Market Indexes

		% change from	
	September Close	last month	last year
TSE 300	10,378	-7.7	49.2
Oil & Gas	8,025	4.8	28.3
Metals & Minerals	3,397	-6.5	-13.0
Utilities	14,529	2.8	84.8
Paper & Forest	4,905	-9.6	0.8
Merchandising	5,454	2.6	7.6
Financial Services	9,805	5.7	46.3
Goods	4,055	-0.7	-36.7
Price-Earnings Ratio*	34.4	-3.6	6.2
S&P 500	1,437	-5.3	12.0
Dow Jones	10,651	-5.0	3.0

\*columns 2 & 3 reflect change in levels



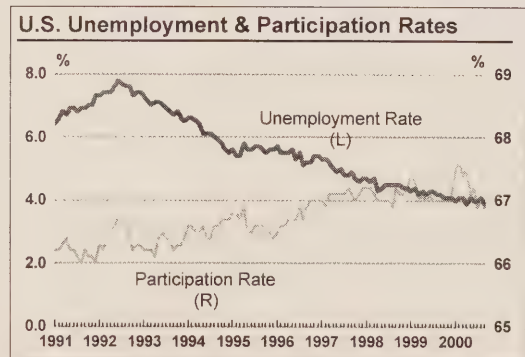
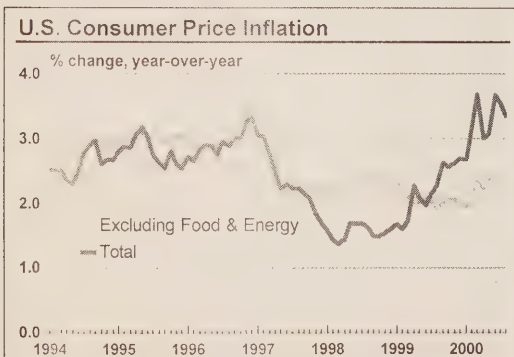
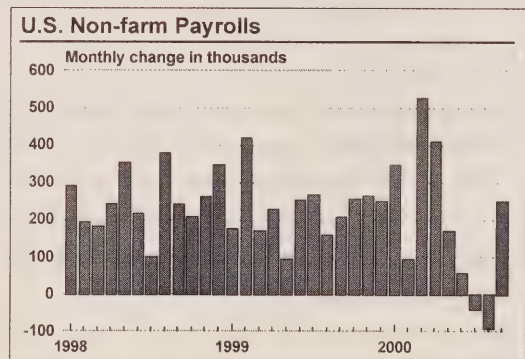
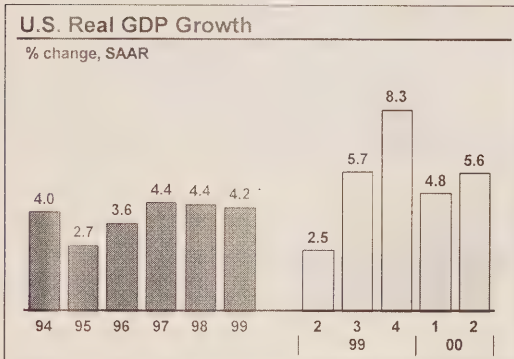


### *The U.S. economy grows at a fast pace in the second quarter...*

- Final estimates indicate that U.S. real GDP increased a solid 5.6% (annual rate) in the second quarter of 2000. Major increases in non-residential fixed investment, consumer spending and inventory investment were partially offset by an increase in imports.
- Employment rose by 252,000 in September, following two months of decline. The services industry led employment gains, but employment in manufacturing was down, partly due to strikes. The U.S. unemployment rate fell to 3.9%, matching the 30-year low reached in April.
- The U.S. trade deficit jumped to a record \$31.9 billion in July, up from June's revised deficit of \$29.8 billion. Exports fell 1.5% while imports rose only slightly (0.6%).

### *...but the Federal Reserve leaves interest rates unchanged*

- At its October 3 meeting, the Federal Reserve decided to leave short-term interest rates unchanged. This move was expected as economic growth appears to be slowing and inflation pressures remain low. The Federal Reserve Board last changed interest rates in May.
- U.S. consumer prices fell for the first time in 14 years in August, aided by a drop in energy prices. On a year-over-year basis, CPI inflation was 3.4% in August.







## COMING UP

### Key Future Data Releases and Planned Events



#### CANADA

Survey of Manufacturing – August .....	October 18
International Trade – August .....	October 19
Consumer Price Index – September .....	October 20
GDP at factor cost – August .....	October 31
Business Conditions Survey – October .....	November 2
Labour Force Survey – October .....	November 3
Financial Statistics For Enterprises – 3rd Quarter 2000 .....	November 24
National Economic & Financial Accounts – 3rd Quarter 2000 .....	November 30
Balance of International Payments – 3rd Quarter 2000 .....	November 30
Capacity Utilization Rates – 3rd Quarter 2000 .....	December 7

#### UNITED STATES

Consumer Price Index – September .....	October 18
International Trade – August .....	October 19
GDP –3rd Quarter 2000, Advance .....	October 27
Employment Situation – October .....	November 3
Federal Open Market Committee meeting .....	November 15

Note: the October MEI uses data available as of October 6, 2000



# MONTHLY ECONOMIC INDICATORS

## November 2000

### HIGHLIGHTS

Output grows at a solid pace in August, with another strong boost from the high-tech sector.

Employment rises in October, but a larger increase in the labour force increases the unemployment rate to 6.9%.

CPI inflation hits 2.7% in September, but core inflation remains low.

Rebounding exports raise Canada's trade surplus slightly in August.

The dollar loses ground as Canadian stock prices slide for the second straight month.

### Key Monthly Economic Indicators

		% Change since		
		last	last	
		month	year	
Real GDP (\$92 B)	792.6	0.4	4.4	Aug
Goods	260.8	0.5	4.9	Aug
Services	531.8	0.3	4.2	Aug
Composite Index	166.0	0.6	8.5	Sept
Employment (000's)	14,977	0.1	2.3	Oct
Full-time	12,263	0.4	2.6	Oct
Part-time	2,714	-0.1	1.1	Oct
Unemployment* (%)	6.9	6.8	7.1	Oct
Youth*	12.9	12.7	13.8	Oct
Adult*	5.7	5.7	5.8	Oct
CPI inflation*	2.7	2.5	2.6	Sept
Retail Sales (\$M)	23,428	0.1	5.7	Aug
Housing Starts (000's)	164.8	4.9	8.6	Oct
Trade Balance* (\$M)	3,984	3,888	3,744	Aug
Exports	34,753	1.0	10.7	Aug
Imports	30,769	0.8	11.3	Aug
M&E	10,499	1.0	15.1	Aug
3-mth Corp. paper* (%)	5.85	5.83	5.05	Nov 1
Long bond yield* (%)	5.69	5.67	6.36	Nov 1
Canadian dollar* (US¢)	65.24	66.51	67.97	Nov 3

\*Data in levels only – % change not reported.

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).





# **MONTHLY ECONOMIC INDICATORS**

## **November 2000**

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This report uses data available as of November 3, 2000. It has been prepared by Éric Chalifoux, Joe Macaluso, Arif Mahmud and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).







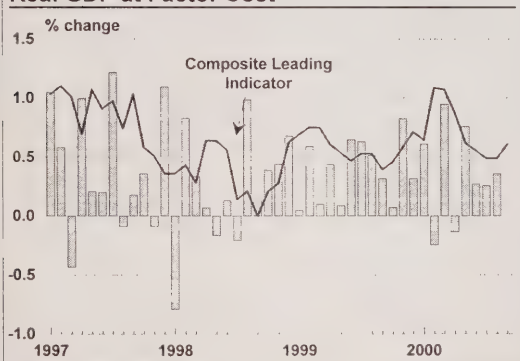
### High-tech industries provide another boost to output in August...

- Real GDP at factor cost increased 0.4% in August, in line with growth in the previous two months. The Manufacturing sector accounted for two-fifths of the total increase.

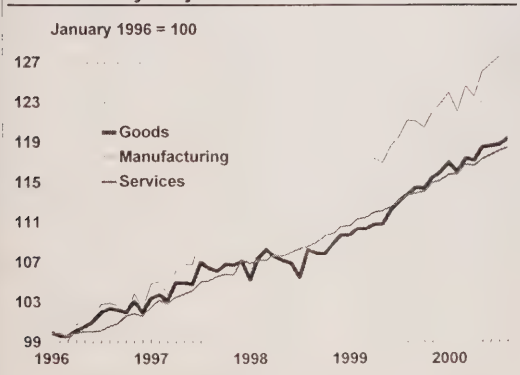
### ...with gains in both Goods and Services

- The Goods sector increased by 0.5% in August, mainly due to a sharp rise in Manufacturing output. Manufacturing has posted sharp gains over the past four months, led in particular by higher production of telecommunications equipment and computers. Lower activity in the Mining industry reflected maintenance shutdowns and lower exploration activity in the oilpatch, which resulted from equipment and personnel shortages and poor weather.
- The Services sector expanded by 0.3% in August. Wholesaling activity fell because of lower computer sales, but a sharp increase in stock market activity boosted output in the Financial industries. Business services posted another solid gain, with roughly half of this attributed to growth in computer services.

Real GDP at Factor Cost



Real GDP by major sector



Real GDP at Factor Cost (1992 dollars)

August 2000

	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	792,610	2,818	0.4	4.4
Business sector	663,595	2,688	0.4	5.1
Goods	260,812	1,369	0.5	4.9
Agriculture	13,112	8	0.1	-2.5
Fishing & Trapping	678	-49	-6.7	-1.2
Logging & Forestry	4,699	-125	-2.6	-3.0
Mining*	26,993	-279	-1.0	5.7
Manufacturing	146,388	1,218	0.8	6.2
Construction	42,490	229	0.5	4.1
Other Utilities	26,452	367	1.4	4.1
Services	531,798	1,449	0.3	4.2
Transport & Storage	37,075	250	0.7	5.5
Communications	30,363	127	0.4	9.9
Wholesale Trade	50,430	-359	-0.7	3.3
Retail Trade	51,528	36	0.1	5.8
Finance & Insurance	43,751	574	1.3	6.1
Real Estate & Ins. Agent	82,968	314	0.4	2.6
Business services	50,220	378	0.8	10.4
Government services	47,186	34	0.1	2.5
Education	40,933	74	0.2	0.5
Health & Social Services	46,493	9	0.0	0.6
Accommodation & Food	20,884	-21	-0.1	3.5
Other	29,967	33	0.1	2.2

\*Includes Quarrying and Crude Petroleum & Natural Gas





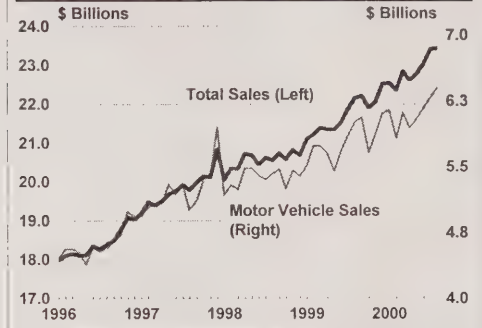
### Consumer spending is strong in the second quarter...

- Real consumption rose 3.6% (annual rate) in the second quarter of 2000, in line with growth in the previous two quarters.
- Spending on services experienced a substantial boost on the quarter. However, growth in purchases of interest-sensitive durable and semi-durable goods slowed considerably from the previous period.

### ...but may slow in the third quarter

- Continuing income gains and higher consumer confidence should support further increases in household spending. Personal disposable income surged 8.1% (annual rate) in the second quarter, boosted by federal pay equity payments.
- Following three months of solid gains, retail sales edged up only 0.1% in August. The slowdown was led by lower sales in Furniture and General Merchandise stores, but continued strength in auto sales offset much of this weakness. Preliminary data point to a further increase in auto sales for September, as well as a pickup in housing starts.

#### Total Retail and Motor Vehicle Sales



#### Retail Sales and Consumer Credit

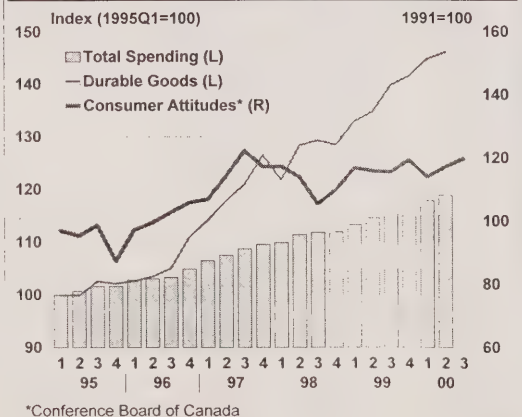
August 2000

	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	23,428	0.1	5.7
Food	5,134	0.3	4.4
Drug Stores	1,135	-0.6	1.9
Clothing	1,252	-0.9	4.0
Furniture	1,243	-2.7	8.0
Automotive	9,550	0.8	8.1
General Merch. Stores	2,615	-1.7	1.2
All other Stores	2,498	0.6	6.0
Total ex. motor vehicles	17,027	-0.5	5.4
Consumer Credit (unadjusted)	186,934	1.8	10.5

#### Real Consumer Spending and Household Finances

	\$ Millions, SAAR (unless otherwise noted)			
	1998	1999	2000 Q1	2000 Q2
Real Consumption (92\$)	487,866	504,763	516,732	521,312
% change	2.9	3.5	3.4	3.6
Durable Goods	66,487	71,859	75,824	76,504
% change	5.9	8.1	9.4	3.6
Semi-Durable Goods	45,751	47,103	48,572	48,728
% change	4.4	3.0	8.9	1.3
Non-Durable Goods	120,795	123,344	125,028	125,464
% change	1.7	2.1	1.4	1.4
Services	254,833	262,457	267,308	270,616
% change	2.5	3.0	1.7	5.0
Disposable Income	567,960	590,608	611,864	623,912
% change	3.9	4.0	7.7	8.1
Saving Rate (%)	4.5	3.7	3.9	4.4
Debt-to-Income Ratio (%)	94.9	96.1	95.8	95.1

#### Real Consumer Spending and Attitudes



\*Conference Board of Canada

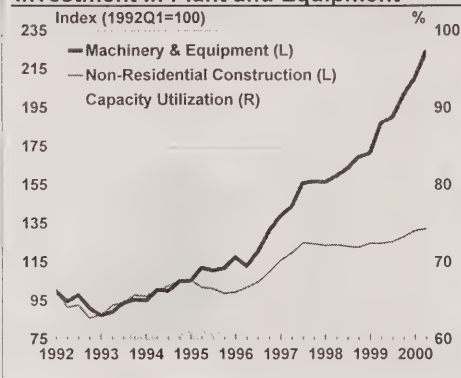




### *Business investment rises faster in the second quarter...*

- Business investment recorded another solid advance in the second quarter, extending its recent string of sharp gains. Spending on Machinery & Equipment (M&E) soared 28.5% (annual rate), due mainly to higher purchases of computers and other office equipment. Increased purchases of transportation equipment by the oil and gas sector also played a role.
- Growth in Non-Residential Construction slowed to 2.9% (annual rate), following an increase of 10.2% in the first quarter.

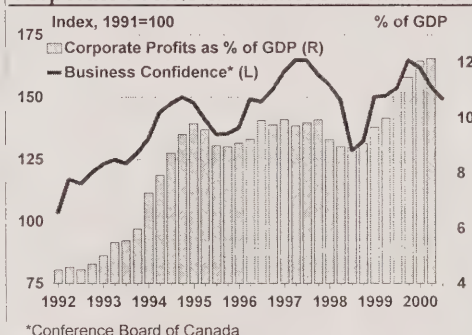
### Investment in Plant and Equipment



### *...and is expected to expand further for the rest of the year*

- The investment outlook remains positive, given recent gains in corporate profits and rising capacity utilization rates.
- Indeed, imports of M&E have risen sharply in both July and August. However, non-residential building activity fell in August, albeit following a strong rise in July.

### Corporate Profits & Business Confidence



\*Conference Board of Canada

### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q3	1999 Q4	2000 Q1	2000 Q2
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	65,357	75,557	76,508	81,248	84,704	90,184
% change	9.0	15.6	6.0	27.2	18.1	28.5
Non-residential Construction (1992\$)	39,502	40,288	40,200	41,040	42,052	42,352
% change	1.7	2.0	2.5	8.6	10.2	2.9
Capacity Utilization (% , Non-farm goods)	83.3	84.9	85.7	86.5	87.5	87.9
Capacity Utilization (Mfg. sector)	83.8	85.7	86.7	87.0	87.8	88.4
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	142,296.0	174,317.0	181,716.0	189,792.0	204,288.0	207,660.0
% change	-13.3	22.5	28.2	19.0	34.2	6.8
Profits - Non-financial industries	94,891.0	123,372.0	129,740.0	135,332.0	140,360.0	147,312.0
% change	-13.6	30.0	47.5	18.4	15.7	21.3
Profits - Financial industries	47,406.0	50,945.0	51,976.0	54,460.0	63,928.0	60,348.0
% change	-12.5	7.5	-7.8	20.5	89.9	-20.6
Business Credit	694,677.7	729,727.8	735,011.7	746,400.0	755,693.0	771,550.3
% change	10.6	5.0	7.6	6.3	5.1	8.7







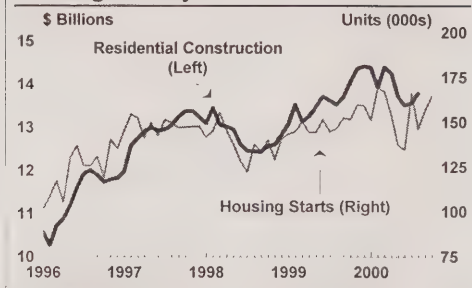
### *The housing market weakens considerably in the first half of 2000...*

- Business investment in Residential Construction fell 11.0% in the second quarter, after registering only a slight advance in the first quarter.
- A strike by cement truck drivers in Toronto contributed greatly to this slump, leading to lower investment in new housing. However, sales of existing homes were also down on the quarter, and the pace of renovation activity slowed.

### *...but is showing some signs of recovery in the third quarter*

- Residential construction rose 1.7% in August, its second consecutive monthly increase. Still, the average level of activity in July and August is 1.1% lower than in the second quarter. There is some evidence that the recent momentum will be sustained into the fourth quarter, given solid increases in housing starts in September and October.
- Higher mortgage rates have been a major factor behind the recent weakness in the housing market. The outlook is somewhat positive, however, as mortgage rates remain stable and levels of full-time employment and consumer confidence are high.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	13,807	1.7%	2.0%
<b>Building Permits, \$M (2)</b>	1,636	-13.4%	4.3%
<b>Sales of Existing Homes (2)</b> (# of units)	20,008	-134	
<b>Housing Starts, # of units (3)</b>	164,800	7,700	13,000
Newfoundland	1,200	200	400
Prince Edward Island	700	400	400
Nova Scotia	1,800	200	-1,400
New Brunswick	1,900	-1,300	400
Quebec	21,500	-400	700
Ontario	73,500	6,100	13,600
Manitoba	1,600	300	-1,200
Saskatchewan	1,900	200	-300
Alberta	20,800	-2,900	-1,100
British Columbia	18,700	5,300	4,800

1 - August data; 2 - September data; 3 - October data

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

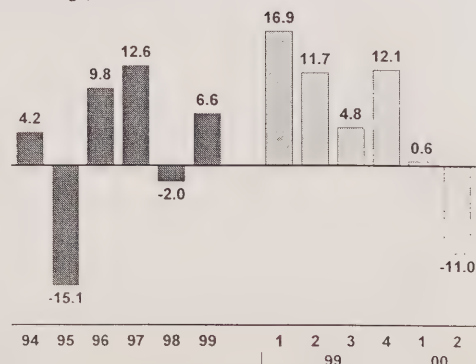
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1998	1999	2000 Q1	2000 Q2
<b>Residential Construction</b>	41,523	44,259	45,832	44,528
% change	-2.0	6.6	0.6	-10.9
<b>Construction by Business sector</b>	41,277	43,983	45,560	44,256
% change	-2.0	6.6	0.6	-11.0
<b>New Housing</b>	20,701	22,258	22,996	21,800
% change	-3.5	7.5	-7.9	-19.2
<b>Alterations &amp; Improvements</b>	13,640	14,399	15,212	15,328
% change	2.4	5.6	10.2	3.1
<b>Ownership &amp; Transfer Costs</b>	7,182	7,259	7,624	7,400
% change	-5.7	1.1	10.3	-11.2

### Growth in Real Residential Construction

% change, SAAR







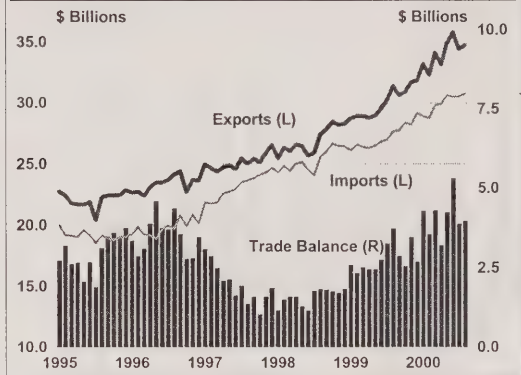
### Export growth outpaces imports in August...

- Exports increased by 1.0% in August, partly rebounding from a sharp 3.8% drop in July. Automotive exports were up on the month, while shipments of aircraft and telecommunications equipment boosted exports of M&E. Continued weakness in U.S. housing demand cut into exports of Forestry Products, and exports of Industrial Goods & Materials also fell.
- Imports rebounded 0.8% in August, sparked by a turnaround in imports of Automotive Products.

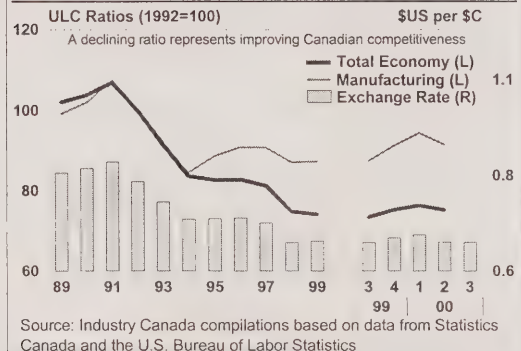
### ...resulting in a slightly higher trade surplus

- Since the increase in exports was higher than that for imports, Canada's trade surplus improved slightly to \$4.0 billion in August. The cumulative trade surplus over the first eight months of the year was \$32.8 billion, up \$10.6 billion on a year-to-date basis.

**Merchandise Trade Flows and Balance**



**Canada-U.S. Unit Labour Cost Ratios**



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

### Merchandise Trade

	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	July 2000	August 2000	1999 Jan-Aug.	2000 Jan-Aug.	July to Aug. 2000	July to Aug. 2000	July to Aug. 2000	July to Aug. 2000
<b>Exports</b>	34,415	34,753	235,514	272,566	338	1.0	10.7	
to United States	29,634	30,018	202,220	234,109	384	1.3	10.7	
<b>Imports</b>	30,527	30,769	213,338	239,751	242	0.8	11.3	
from United States	22,278	22,605	163,797	177,162	327	1.5	7.6	
<b>Trade Balance</b>	3,888	3,984	22,176	32,815	96			
with United States	7,356	7,413	38,423	56,947	57			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,402	2,334	16,857	18,270	-68	-2.8	10.7	
Energy Products	4,035	4,141	18,059	31,167	106	2.6	52.6	
Forestry Products	3,479	3,323	25,657	27,836	-156	-4.5	0.1	
Industrial Goods & Materials	5,624	5,362	37,551	42,768	-262	-4.7	8.0	
Machinery & Equipment	8,613	8,959	55,869	68,357	346	4.0	23.4	
Automotive Products	7,761	8,115	63,326	64,698	354	4.6	-7.1	
Other Consumer Goods	1,228	1,201	8,982	9,550	-27	-2.2	5.6	
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,516	1,576	11,699	12,106	60	4.0	6.5	
Energy Products	1,587	1,505	6,146	11,356	-82	-5.2	66.7	
Forestry Products	242	264	1,797	2,025	22	9.1	13.3	
Industrial Goods & Materials	5,958	5,814	40,375	46,810	-144	-2.4	12.6	
Machinery & Equipment	10,396	10,499	70,872	80,458	103	1.0	15.1	
Automotive Products	6,398	6,690	49,991	52,224	292	4.6	0.5	
Other Consumer Goods	3,295	3,352	24,217	26,123	57	1.7	9.5	





## Employment and Unemployment

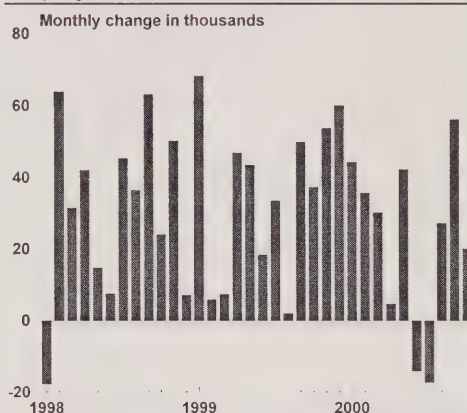
### Despite modest job gains in October...

- Employment rose by 20,000 in October, with a sharp gain in the number of full-time jobs (+52,000) partly offsetting a decline in part-time work (-32,000). Following a period of weakness in the summer months, employment has now increased in each of the past three months.
- Full-time employment is up 2.6% on a year-over-year basis, compared to an increase of 1.1% in the number of part-time jobs.

### ...the unemployment rate edges up to 6.9%

- Growth in the labour force outpaced October's employment gain, raising the national unemployment rate 0.1 percentage points to 6.9%. The youth unemployment rate rose 0.2 percentage points to 12.9%, but the adult unemployment rate was unchanged at 5.7%.
- The influx of new job seekers pushed up the participation rate to 66.0%, for the first time since 1991.

#### Employment



#### Unemployment Rate



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 October	2000 September	2000 October	last month	last year	year-to- date	last month	last year
Employment	14,633.6	14,957.1	14,977.3	20.2	343.7	229.8	0.1	2.3
Full-time	11,948.9	12,211.7	12,263.4	51.7	314.5	168.0	0.4	2.6
Part-time	2,684.7	2,745.4	2,713.9	-31.5	29.2	61.8	-1.1	1.1
Youth 15-24	2,223.4	2,313.5	2,316.2	2.7	92.8	62.1	0.1	4.2
Adult 25+	12,410.3	12,643.5	12,661.1	17.6	250.8	167.8	0.1	2.0
Self-employed	2,429.3	2,382.3	2,366.1	-16.2	-63.2	-142.9	-0.7	-2.6
Unemployment	1,125.6	1,098.8	1,113.3	14.5	-12.3	38.4	1.3	-1.1
Unemployment Rate	7.1	6.8	6.9	0.1	-0.2	0.1		
Youth 15-24	13.8	12.7	12.9	0.2	-0.9	-0.2		
Adult 25+	5.8	5.7	5.7	0.0	-0.1	0.1		
Labour Force	15,759.2	16,055.8	16,090.6	34.8	331.4	268.3	0.2	2.1
Participation Rate	65.5	65.9	66.0	0.1	0.5	0.4		
Employment Rate	60.8	61.4	61.4	0.0	0.6	0.2		







## Industry Overview

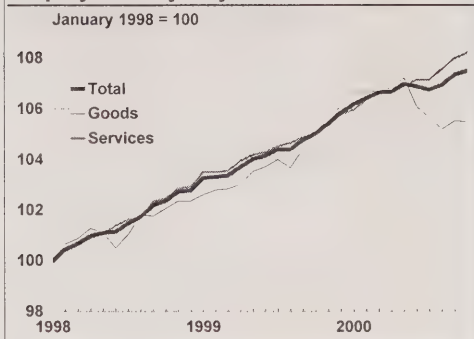
### Employment growth is concentrated in Manufacturing and Services...

- Broad-based gains in the Services-producing industries have been the main source of job growth so far this year. In October, employment was up a further 22,000 in this sector, with notable gains in Professional & Scientific Services and Transportation & Warehousing.
- In contrast, labour market conditions have generally been weaker overall in the Goods sector. A sizeable gain in Manufacturing in October was offset by losses in Construction and Agriculture, leaving employment down 2,000 on the month.

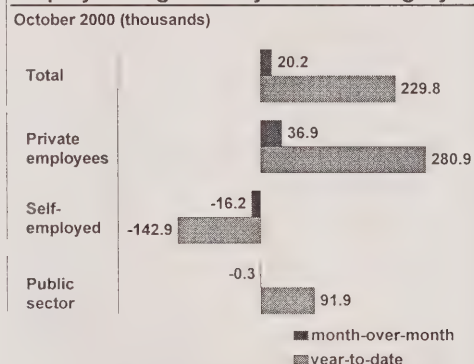
### ...and in the private sector

- The private sector accounted for the total rise in employment in October, as the number of employees in the public sector was virtually unchanged.
- Self-employment fell 16,000 in October, bringing year-to-date losses to 143,000.

### Employment by major sector



### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 October	2000 September	2000 October	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,828.2	3,844.6	3,843.1	-1.5	14.9	-22.2	-0.0	0.4
Agriculture	402.2	360.2	355.3	-4.9	-46.9	-43.8	-1.4	-11.7
Natural Resources*	267.0	284.9	285.8	0.9	18.8	10.5	0.3	7.0
Utilities	116.4	116.4	115.6	-0.8	-0.8	0.2	-0.7	-0.7
Construction	780.5	820.0	800.7	-19.3	20.2	-6.7	-2.4	2.6
Manufacturing	2,262.0	2,263.1	2,285.8	22.7	23.8	17.6	1.0	1.1
<b>Services-producing</b>	10,805.4	11,112.5	11,134.2	21.7	328.8	252.0	0.2	3.0
Trade	2,260.7	2,347.8	2,341.2	-6.6	80.5	69.5	-0.3	3.6
Transportation	756.7	767.5	779.1	11.6	22.4	14.9	1.5	3.0
FIRE*	866.1	862.3	869.7	7.4	3.6	4.4	0.9	0.4
Professional/Scientific	909.1	959.5	974.4	14.9	65.3	47.9	1.6	7.2
Management/Administrative	505.4	563.3	567.2	3.9	61.8	49.7	0.7	12.2
Educational Services	994.7	973.7	969.4	-4.3	-25.3	-32.3	-0.4	-2.5
Health Care/Social Assistance	1,460.8	1,538.4	1,529.0	-9.4	68.2	57.1	-0.6	4.7
Information/Culture/Recreation	636.6	676.6	685.7	9.1	49.1	49.5	1.3	7.7
Accommodation & Food	932.2	961.0	956.5	-4.5	24.3	5.9	-0.5	2.6
Other Services	713.4	696.0	696.6	0.6	-16.8	-12.3	0.1	-2.4
Public Administration	769.8	766.3	765.5	-0.8	-4.3	-2.3	-0.1	-0.6

\*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.





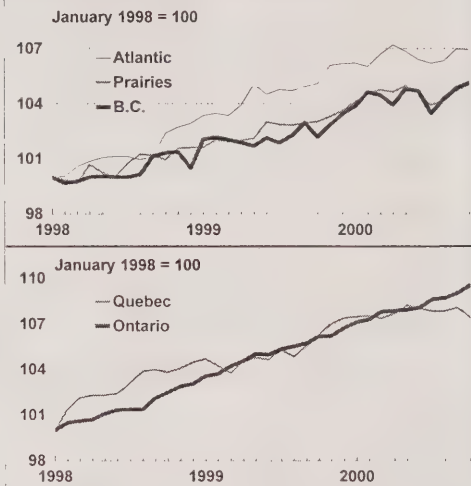
### Ontario leads October job gains...

- Job growth remains strong in Ontario, rising 27,000 in October. However, growth in the labour force was even stronger, raising Ontario's unemployment rate to 5.9%.
- Solid job gains were also posted in Saskatchewan and Alberta. In both provinces, unemployment rates edged down 0.1 percentage points.

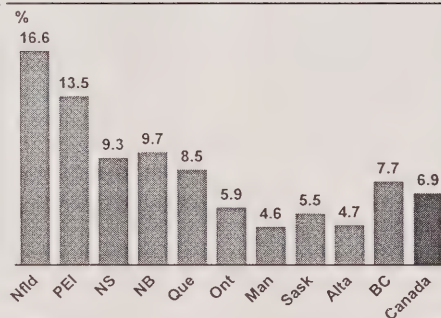
### ...but employment falls sharply in Quebec and PEI

- Quebec experienced the largest absolute drop in employment in October (-20,000), extending the slowdown in job growth evident since the beginning of the year. Quebec's unemployment rate rose 0.3 points to 8.5% on the month.
- In percentage terms, the biggest job loss was in PEI, which contributed to a sharp 2.2 point rise in its unemployment rate to 13.5%.
- Job losses in Manitoba also resulted in a higher unemployment rate.

### Regional employment patterns



### Unemployment Rates -- October 2000



### Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels	Change since last month		Change since last year			Levels	Change since last month	
	2000 October	(000's)	%	(000's)	%			last month	last year
Canada	14,977.3	20.2	0.1	343.7	2.3		6.9	0.1	-0.2
Newfoundland	205.7	-0.5	-0.2	-2.0	-1.0		16.6	0.3	0.2
P.E.I.	64.0	-1.2	-1.8	2.1	3.4		13.5	2.2	0.1
Nova Scotia	418.4	0.8	0.2	8.1	2.0		9.3	-0.3	-0.1
New Brunswick	337.3	0.3	0.1	9.6	2.9		9.7	0.0	0.0
Quebec	3,428.3	-19.6	-0.6	37.2	1.1		8.5	0.3	-0.4
Ontario	5,926.4	27.4	0.5	182.8	3.2		5.9	0.1	0.0
Manitoba	555.7	-3.0	-0.5	12.1	2.2		4.6	0.1	-0.8
Saskatchewan	484.2	3.4	0.7	0.9	0.2		5.5	-0.1	-0.5
Alberta	1,597.5	7.9	0.5	37.9	2.4		4.7	-0.1	-0.5
B.C.	1,959.8	4.9	0.3	55.0	2.9		7.7	0.0	0.0





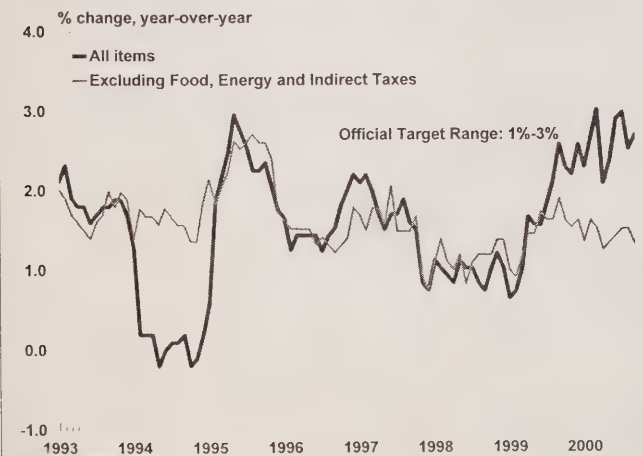
### CPI inflation rises to 2.7% in September...

- Consumer prices were up 2.7% on a year-over-year basis in September, up from 2.5% in August. As has been the case for much of the year, higher energy prices accounted for roughly half of September's annual rise.
- Increased costs for mortgage interest and food from restaurants also contributed to inflation, but prices were lower for autos, computers and daycare.

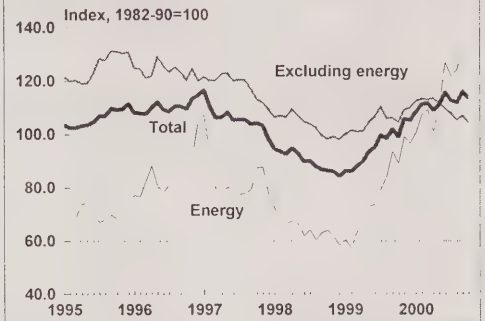
### ...but the "core" rate remains in the bottom half of the official target range

- Excluding energy, food and indirect taxes, the "core" rate of inflation edged down to 1.3% in September, well within the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices were 14.6% higher in October compared to last year, pushed up by a sharp rise in energy prices.

#### Consumer Price Index



#### Commodity Prices (\$U.S. basis)



#### Consumer Prices

September 2000

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	114.4	0.4	2.7
Food	112.2	-0.8	2.2
Shelter	109.6	0.6	3.8
Household operations	110.5	0.0	0.9
Clothing & Footwear	107.4	1.9	0.2
Transportation	131.9	1.5	3.9
Health & Personal Care	112.3	-0.1	1.5
Recreation, Educ. & Reading	124.9	0.1	2.0
Alcohol & Tobacco	98.4	0.4	4.0
Excl. Food/Energy/Indirect Taxes	114.2	0.2	1.3
Energy	132.8	4.3	15.1

#### Commodity Prices (October)

Index, 1982-90=100	113.7	-2.0	14.6
Excluding Energy	104.6	-2.2	0.0
Energy	130.7	-1.7	46.7

#### Provincial CPI Inflation -- September 2000









### Short term interest rates are virtually unchanged in October...

- The Bank of Canada kept its trendsetting Bank Rate steady at 6.0% in October. Market-determined short-term interest rates have also been quite stable, closing October at about the same level as at the end of September. Canadian short-term interest rates closed 75 basis points below comparable U.S. rates on November 1.

### ...but long-term yields rise after falling early in the month

- Canadian long-term bond yields fell in the first half of the month, with falling equity prices increasing the demand for bonds. North American bond yields subsequently rose later in the month, as data on U.S. average hourly earnings and import prices pointed to rising inflationary pressures south of the border.
- As of November 1, Canadian long-term bond rates stood 9 basis points below comparable U.S. yields, down from a gap of 14 points at the end of October.

#### Short-term Interest Rates

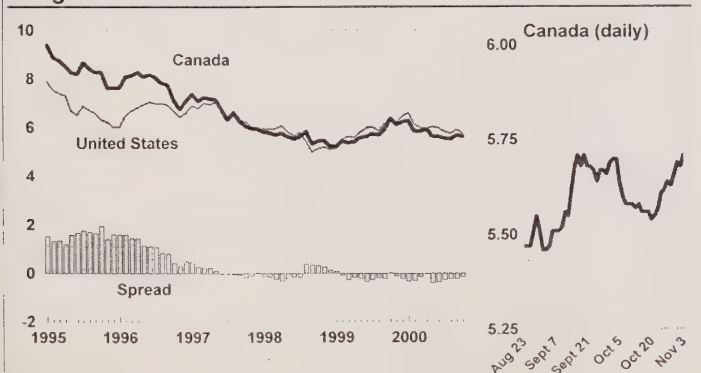


#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
May 2000	5.98	-0.74	5.63	-0.39
June	5.89	-0.78	5.61	-0.36
July	5.88	-0.71	5.55	-0.27
August	5.90	-0.67	5.51	-0.23
Sept	5.83	-0.72	5.67	-0.23
Oct	5.85	-0.75	5.61	-0.14
Nov 1	5.85	-0.75	5.69	-0.09

A positive spread indicates that Canadian rates are above their U.S. counterparts.

#### Long-term Bond Yields



#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
May 2000	6.00	7.50	8.30	8.75
June	6.00	7.50	8.10	8.45
July	6.00	7.50	7.90	8.25
August	6.00	7.50	7.90	8.25
Sept	6.00	7.50	7.90	8.25
Oct	6.00	7.50	7.90	8.25
Nov 1	6.00	7.50	7.90	8.25





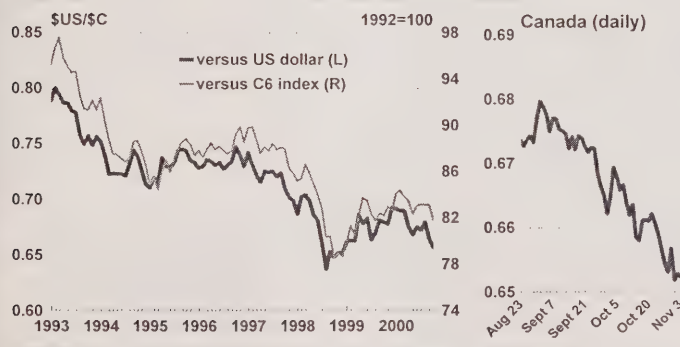
### *The TSE 300 falls sharply for the second straight month...*

- The TSE 300 index closed out October down 7.1%, dragged lower by concerns over the profit outlook in the high-tech sector, tensions in the Middle East, and surging oil prices. Despite this loss, which follows a similar drop in September, the TSE 300 was still up 32.8% on a year-over-year basis in October.
- The U.S. S&P 500 was lacklustre in October, finishing the month 0.5% lower, while the Dow Jones Industrial Average gained 3.0% over the month.

### *...and the dollar weakens further*

- The Canadian dollar lost ground throughout October, closing below \$US 0.66 for the first time since March 1999. The weakness in the Canadian currency has been attributed to the recent poor performance of Canadian equities and strong global demand for the U.S. dollar.

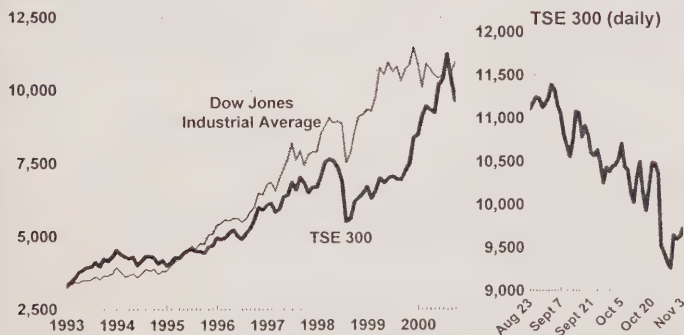
#### Canadian dollar



#### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
May 2000	0.6682	82.37	1.442	72.41
June	0.6754	83.06	1.393	71.84
July	0.6725	83.17	1.410	73.23
August	0.6796	83.13	1.459	72.86
Sept	0.6651	83.16	1.513	71.88
Oct	0.6568	81.87	1.517	71.70
Nov 3	0.6524			

#### Stock Market Indices



#### Key Stock Market Indexes

		% change from	
	October Close	last month	last year
TSE 300	9,640	-7.1	32.8
Oil & Gas	7,342	-8.5	21.1
Metals & Minerals	3,528	3.9	-9.5
Utilities	15,536	6.9	68.9
Paper & Forest	4,731	-3.6	-4.9
Merchandising	5,498	0.8	13.3
Financial Services	10,121	3.2	39.1
Gold	3,671	-9.5	-33.4
Price-Earnings Ratio*	27.5	-6.8	-2.1
S&P 500	1,429	-0.5	4.9
Dow Jones	10,971	3.0	2.2

\*columns 2 & 3 reflect change in levels





## U.S. Economic Trends

### *The U.S. economy slows in the third quarter...*

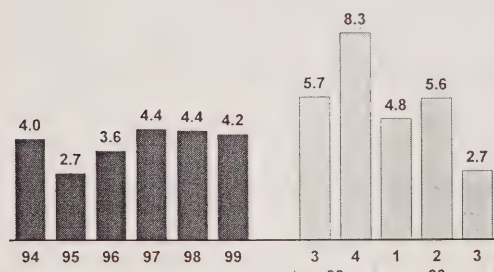
- Advance estimates suggest that U.S. real GDP growth slowed to 2.7% (annual rate) in the third quarter of 2000. Solid gains in consumer spending and business investment offset lower residential investment and decreased government spending in the quarter.
- U.S. employment rose by 137,000 in October, led by gains in Construction and Mining. Following two months of large increases, employment in the Services industry was little changed. The unemployment rate held steady at a 30-year low of 3.9%.
- After hitting a record high in July, the U.S. trade deficit narrowed to \$29.4 billion in August. Exports increased by 3.5% while imports rose only slightly (0.8%).

### *...but productivity growth remains strong*

- Productivity in the non-farm business sector rose a larger-than-expected 3.8% (annual rate) in the third quarter of the year. This helped moderate the rise in unit labor costs, a key gauge of inflation pressures, which was up 2.5 percent in the third quarter.
- On a year-over-year basis, U.S. consumer prices were up 3.5% in September. Inflation excluding food and energy prices has trended up through most of 2000, rising to 2.6% in September.

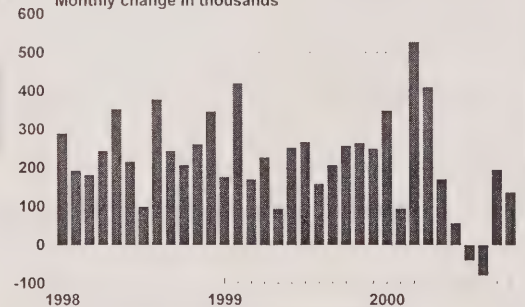
#### U.S. Real GDP Growth

% change, SAAR



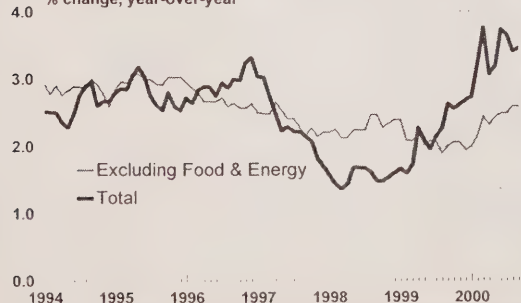
#### U.S. Non-farm Payrolls

Monthly change in thousands

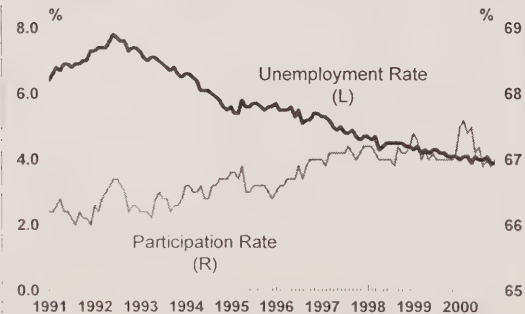


#### U.S. Consumer Price Inflation

% change, year-over-year



#### U.S. Unemployment & Participation Rates







**CANADA**

Survey of Manufacturing – September .....	November 17
International Trade – September .....	November 21
Consumer Price Index – October .....	November 21
Financial Statistics For Enterprises – 3rd Quarter 2000 .....	November 24
GDP at factor cost – September .....	November 30
National Economic & Financial Accounts – 3rd Quarter 2000 .....	November 30
Balance of International Payments – 3rd Quarter 2000 .....	November 30
Labour Force Survey – November .....	December 1
Capacity Utilization Rates – 3rd Quarter 2000 .....	December 7

**UNITED STATES**

Consumer Price Index – October .....	November 16
International Trade – September .....	November 21
GDP –3rd Quarter 2000, Preliminary .....	November 29
Employment Situation – November .....	December 8
Federal Open Market Committee meeting .....	December 19






Note: the November MEI uses data available as of November 3, 2000



# MONTHLY ECONOMIC INDICATORS

## December 2000

### HIGHLIGHTS

- 
***The economy's strong performance extends into the third quarter, with output rising an annualized 4.8%.***
- 
***Employment increases in November, accompanied by solid growth in the labour force.***
- 
***Despite slowing U.S. demand, Canada's trade surplus remains high due to our improving terms of trade.***
- 
***The Bank of Canada holds rates steady as core inflation stays below the midpoint of the official target band.***
- 
***The Canadian dollar falls to a two-year low in November, but rebounds on positive economic news.***

### Key Monthly Economic Indicators

		% Change since		
		last	last	
		month	year	
Real GDP (\$92 B)	792.6	-0.0	4.1	Sept
Goods	259.0	-0.5	3.6	Sept
Services	533.6	0.2	4.4	Sept
Composite Index	167.6	0.7	9.0	Oct
Employment (000's)	15,036	0.4	2.4	Nov
Full-time	12,343	0.6	2.6	Nov
Part-time	2,693	-0.8	1.4	Nov
Unemployment* (%)	6.9	6.9	6.9	Nov
Youth*	12.6	12.9	13.1	Nov
Adult*	5.8	5.7	5.7	Nov
CPI inflation*	2.8	2.7	2.3	Oct
Retail Sales (\$M)	23,549	0.4	6.0	Sept
Housing Starts (000's)	155.8	-5.5	-2.6	Nov
Trade Balance* (\$M)	4,299	4,063	2,878	Sept
Exports	34,948	0.1	14.1	Sept
Imports	30,649	-0.7	10.4	Sept
M&E	10,508	0.5	15.9	Sept
3-mth Corp. paper* (%)	5.78	5.85	5.05	Dec 6
Long bond yield* (%)	5.52	5.61	6.10	Dec 6
Canadian dollar* (US¢)	65.90	65.68	67.82	Dec 8

\*Data in levels only – % change not reported.

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).





# **MONTHLY ECONOMIC INDICATORS**

## **December 2000**

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This report uses data available as of December 8, 2000. It has been prepared by Éric Chalifoux, Joe Macaluso, Arif Mahmud and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).





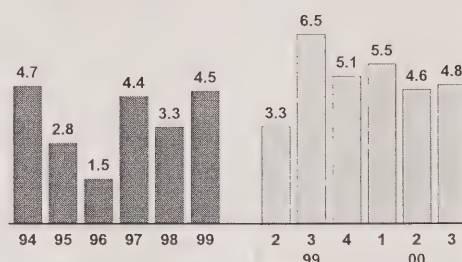


### *Strong growth continues in the third quarter...*

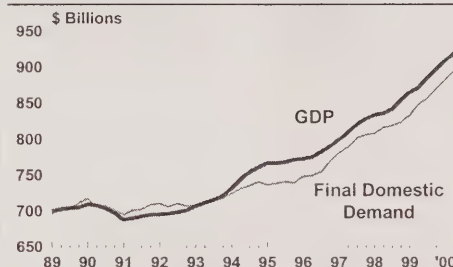
- Real GDP rose 4.8% (annual rate) in the third quarter of 2000, sustaining the strong pace of the past two years. This extends the string of uninterrupted output gains to 21 quarters, the longest since the 1960's.
- Final domestic demand advanced a solid 5.9% (annual rate) in the third quarter, supported by increases in consumer spending and housing, and continued strength in business investment.
- An inventory buildup provided a major boost to third-quarter results, representing 40% of total output gains.
- Real exports of goods and services edged down 0.5% (annual rate) in the third quarter, the first decline in nearly four years. This reflects weaker demand in the U.S., as exports were dampened by lower shipments of automotive products and energy products.

### Growth in Real Gross Domestic Product

% change, SAAR



### GDP and Final Domestic Demand

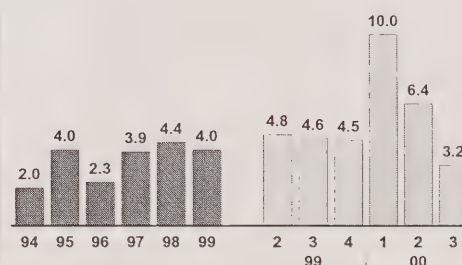


### *...but growth in personal income and corporate profits slows*

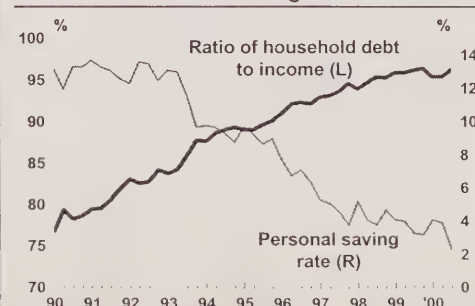
- Growth in personal income slowed to an annual rate of 3.2% in the third quarter. Strong income gains in the first half of the year were affected by special factors, including federal pay equity payments.
- The personal saving rate fell to an all-time low of 2.3% in the third quarter, while the household debt-to-income ratio reached a near-record 96.3%.
- Corporate profits increased by 4.2% (annual rate) in the third quarter of 2000. After rising 24% overall in 1999, profit gains have slowed considerably in the last two quarters.

### Growth in Personal Income

% change, SAAR



### Personal Debt and Saving Rate





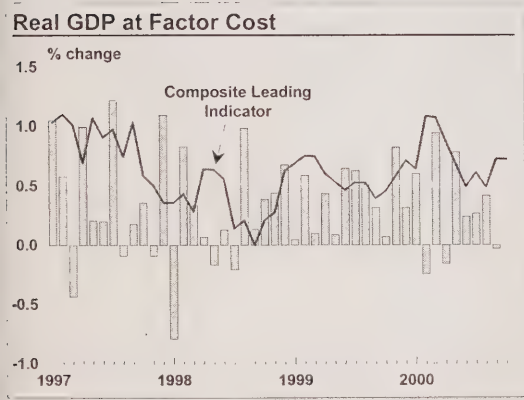


The economy pauses in September...

- Real GDP was flat in September, following a four-month string of solid gains. Losses in Manufacturing were largely responsible for the slowdown.

...held back by losses in Manufacturing

- Output in the Goods sector fell 0.5% in September. Losses in Manufacturing were broadly based, as production of electrical and electronic goods was scaled back for the first time this year, and production difficulties and softer U.S. demand affected auto assembly. While the impact of losses in Manufacturing dominated overall results, most other major industry groups in the Goods sector also weakened.
- Services-producing industries expanded output by 0.2% in September, with notable gains in Business Services, Government Services and Accommodation & Food. Demand for computer services remained very robust, accounting for about half of the increased activity in Business Services. Wholesaling activity declined, reflecting slower sales for distributors of automotive products, food products and building materials.



Real GDP at Factor Cost (1992 dollars)

September 2000

	\$ millions	monthly change	% Change since last month	% Change since last year
Total Economy	792,604	-248	-0.0	4.1
Business sector	663,275	-525	-0.1	4.7
Goods	259,036	-1,372	-0.5	3.6
Agriculture	12,899	-4	-0.0	-4.2
Fishing & Trapping	672	-6	-0.9	-0.6
Logging & Forestry	4,777	-141	-2.9	-2.8
Mining*	27,164	-53	-0.2	3.9
Manufacturing	144,529	-1,074	-0.7	4.9
Construction	42,708	26	0.1	3.7
Other Utilities	26,287	-120	-0.5	1.4
Services	533,568	1,124	0.2	4.4
Transport & Storage	36,971	-33	-0.1	4.3
Communications	30,690	-10	-0.0	9.7
Wholesale Trade	50,228	-274	-0.5	4.5
Retail Trade	51,673	101	0.2	6.3
Finance & Insurance	43,703	111	0.3	5.9
Real Estate & Ins. Agent	83,207	164	0.2	2.7
Business services	50,893	556	1.1	10.8
Government services	47,518	266	0.6	2.8
Education	40,940	-11	-0.0	0.5
Health & Social Services	46,429	2	0.0	0.4
Accommodation & Food	21,301	196	0.9	5.3
Other	30,015	56	0.2	1.8



\*Includes Quarrying and Crude Petroleum & Natural Gas



# THE ECONOMY

## Consumer Spending and Attitudes



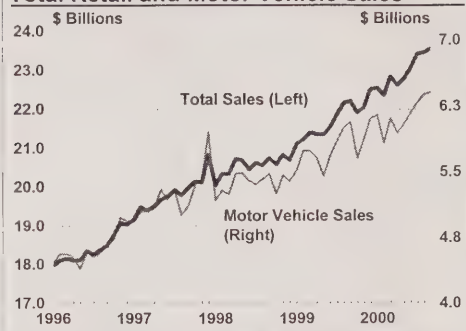
### Consumer spending strengthens in the third quarter...

- Consumer spending posted its biggest increase in over two years in the third quarter, rising 5.5% (annual rate).
- While spending was up across all major categories, purchases of consumer durables jumped 16.3%, as motor vehicle sales were boosted by generous manufacturers' incentives.

### ...but may slow in the fourth quarter

- Disposable income rose more slowly in the third quarter, as growth in transfers to governments outpaced income growth in the quarter. After adjusting for inflation, personal disposable income fell 1.5% (annual rate), the first quarterly drop in four years.
- Household finances remain vulnerable, with a low personal saving rate and high household debt levels. Higher disposable incomes and solid job growth are required to sustain further increases in consumer spending.
- Motor vehicle sales, a large component of retail sales, should weaken as the recent surge has been boosted by generous financial incentives.

### Total Retail and Motor Vehicle Sales



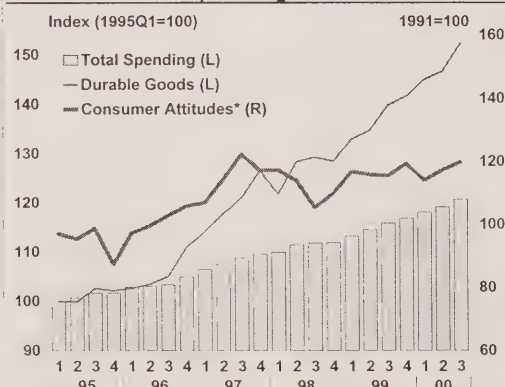
### Retail Sales and Consumer Credit

	September 2000	% Change since	
		last month	last year
	\$ millions		
Total Retail Sales (S.A.)	23,549	0.4	6.0
Food	5,127	-0.1	4.3
Drug Stores	1,153	1.6	3.2
Clothing	1,297	3.3	10.9
Furniture	1,292	2.2	11.7
Automotive	9,592	0.5	7.6
General Merch. Stores	2,588	-1.1	0.4
All other Stores	2,500	-0.1	6.1
Total ex. motor vehicles	17,145	0.4	6.2
Consumer Credit (unadjusted)	189	1.1	10.8

### Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)	1998		1999		2000 Q2		2000 Q3	
Real Consumption (92\$)	487,866	504,763	522,044	529,036				
% change	2.9	3.5	3.6	5.5				
Durable Goods	66,487	71,859	76,776	79,724				
% change	5.9	8.1	4.8	16.3				
Semi-Durable Goods	45,751	47,103	48,976	50,000				
% change	4.4	3.0	3.2	8.6				
Non-Durable Goods	120,795	123,344	125,572	126,084				
% change	1.7	2.1	1.9	1.6				
Services	254,833	262,457	270,720	273,228				
% change	2.5	3.0	4.1	3.8				
Disposable Income	567,960	590,608	622,172	624,300				
% change	3.9	4.0	5.2	1.4				
Saving Rate (%)	4.5	3.7	3.9	2.3				
Debt-to-Income Ratio (%)	94.9	96.1	95.4	96.3				

### Real Consumer Spending and Attitudes



\*Conference Board of Canada





# THE ECONOMY

## Business Investment in Plant and Equipment



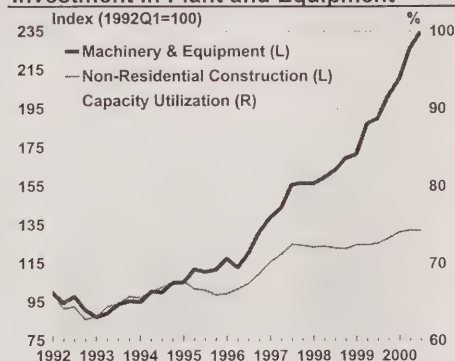
### *Business investment remains robust in the third quarter...*

- Business investment in M&E remains very strong, rising 16.0% (annual rate) in the third quarter. Purchases of telecommunications equipment led the third quarter advance, but spending on autos, furniture, computers and other office equipment was also higher.
- Non-Residential Construction activity edged lower, following a marked deceleration in growth in the previous quarter. Non-residential building was flat, and exploration activity in the oil and gas sector has been constrained by bad weather and shortages of equipment and personnel.

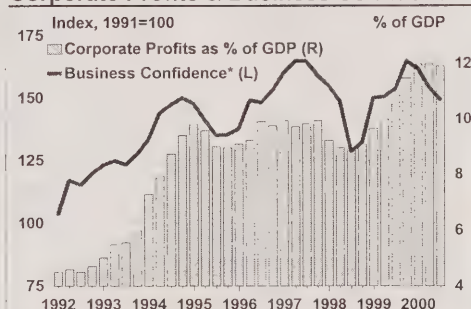
### *...but may slow in upcoming quarters*

- Additional production capacity and slower output growth (induced by falling exports) led to a slight fall in overall capacity utilization in the third quarter.
- Slowing growth and a sluggish profit performance may dampen future business investment.

### Investment in Plant and Equipment



### Corporate Profits & Business Confidence



\*Conference Board of Canada

### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q4	2000 Q1	2000 Q2	2000 Q3
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	65,357	75,557	81,248	84,616	91,036	94,472
% change	9.0	15.6	27.2	17.6	34.0	16.0
Non-residential Construction (1992\$)	39,502	40,288	41,040	42,056	42,348	42,296
% change	1.7	2.0	8.6	10.3	2.8	-0.5
Capacity Utilization (% , Non-farm goods)	82.8	84.6	86.0	86.8	87.0	86.9
Capacity Utilization (Mfg. sector)	83.8	85.7	86.6	87.1	87.1	87.5
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	142,296.0	174,317.0	189,792.0	204,916.0	209,996.0	210,212.0
% change	-13.3	22.5	19.0	35.9	10.3	0.4
Profits - Non-financial industries	94,891.0	123,372.0	135,332.0	139,896.0	145,836.0	148,632.0
% change	-13.6	30.0	18.4	14.2	18.1	7.9
Profits - Financial industries	47,406.0	50,945.0	54,460.0	65,016.0	64,160.0	61,580.0
% change	-12.5	7.5	20.5	103.1	-5.2	-15.1
Business Credit	693,247.3	729,422.8	746,826.3	758,165.0	775,813.7	785,092.3
% change	10.7	5.2	6.4	6.2	9.6	4.9





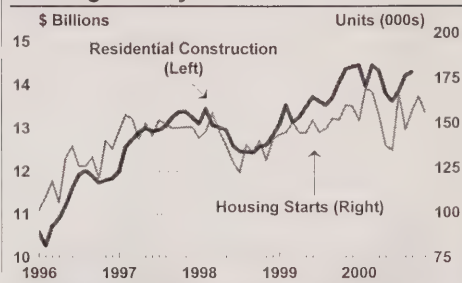
### *The housing market recovers in the third quarter...*

- Business investment in Residential Construction rebounded partly from the previous quarter's decline, rising 6.0% (annual rate).
- The ongoing recovery from a Spring strike by cement truck drivers in Toronto contributed greatly to this advance, leading to higher investment in new housing. Sales of existing homes were also up on the quarter along with an increase in renovation activity.

### *...and continues to be healthy in the fourth quarter*

- Recent trends point to further increases in housing market activity. Although housing starts declined to an annualized 155,800 units in November, this is from a very high level in the previous month (the fourth highest since 1994).
- Higher mortgage rates contributed to the weak housing market in the first half of the year. Rates have been relatively stable in recent months, and dropped 10-15 basis points across all maturities early in December.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	14,305	0.6%	4.3%
<b>Building Permits, \$M (2)</b>	1,730	5.5%	-2.5%
<b>Sales of Existing Homes (2)</b> (# of units)	19,922	-81	
<b>Housing Starts, # of units (3)</b>	155,800	-9,100	-4,200
Newfoundland	900	-500	-300
Prince Edward Island	400	-300	0
Nova Scotia	1,900	100	-1,100
New Brunswick	2,500	600	400
Quebec	23,700	2,200	4,000
Ontario	67,300	-6,200	-800
Manitoba	1,300	-300	-200
Saskatchewan	1,800	0	200
Alberta	23,600	2,800	2,800
British Columbia	11,200	-7,500	-5,900

1 - September data; 2 - October data; 3 - November data  
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

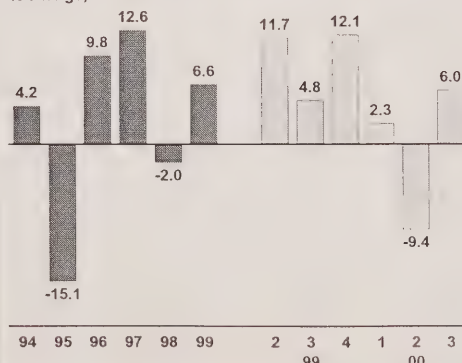
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1998	1999	2000 Q2	2000 Q3
<b>Residential Construction</b>	41,523	44,259	44,912	45,564
% change	-2.0	6.6	-9.3	5.9
<b>Construction by Business sector</b>	41,277	43,983	44,640	45,292
% change	-2.0	6.6	-9.4	6.0
<b>New Housing</b>	20,701	22,258	21,968	22,268
% change	-3.5	7.5	-17.8	5.6
<b>Alterations &amp; Improvements</b>	13,640	14,399	15,380	15,644
% change	2.4	5.6	2.6	7.0
<b>Ownership &amp; Transfer Costs</b>	7,182	7,259	7,564	7,652
% change	-5.7	1.1	-5.5	4.7

### Growth in Real Residential Construction

% change, SAAR







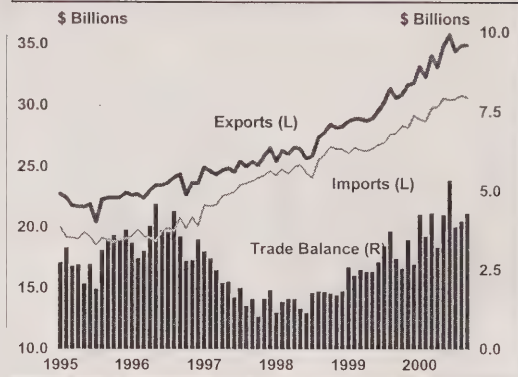
Exports edge higher as imports decline...

- Exports edged up 0.1% in September, remaining sluggish after reaching a record level in July. Higher exports of Energy Products -- due mainly to higher prices rather than increased volumes -- offset lower exports of Automotive Products and M&E.
- Imports fell 0.7% in September, with Automotive Products falling back from an all-time high in August. This drop also reflected weaker imports of auto parts resulting from reduced U.S. demand for motor vehicles.

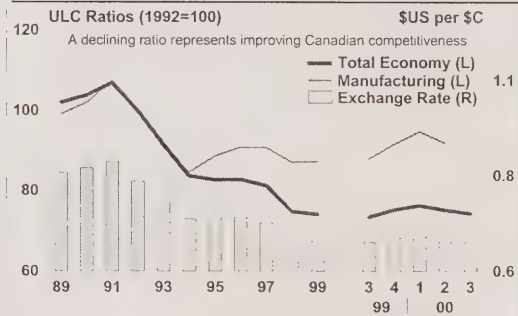
...boosting Canada's trade surplus

- Given higher exports and lower imports, Canada's trade surplus improved to \$4.3 billion in September.
- The cumulative trade surplus over the first nine months of 2000 is 50% higher than last year, owing to a sharp improvement in Canada's terms of trade. The key factors are higher export prices for petroleum products and natural gas, and lower prices for imports of high-tech equipment.

Merchandise Trade Flows and Balance



Canada-U.S. Unit Labour Cost Ratios



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

Merchandise Trade

September 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	August 2000	September 2000	1999 Jan-Sept.	2000 Jan-Sept.	Aug. to Sept. 2000	Aug. to Sept. 2000	Sept. 1999 to Sept. 2000	
<b>Exports</b>	<b>34,915</b>	<b>34,948</b>	<b>266,144</b>	<b>307,721</b>	<b>33</b>	<b>0.1</b>	<b>14.1</b>	
to United States	30,005	30,183	228,509	264,255	178	0.6	14.8	
<b>Imports</b>	<b>30,852</b>	<b>30,649</b>	<b>241,090</b>	<b>270,462</b>	<b>-203</b>	<b>-0.7</b>	<b>10.4</b>	
from United States	22,600	22,372	184,883	199,472	-228	-1.0	6.1	
<b>Trade Balance</b>	<b>4,063</b>	<b>4,299</b>	<b>25,054</b>	<b>37,259</b>	<b>236</b>			
with United States	7,405	7,811	43,626	64,783	406			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,356	2,307	19,024	20,624	-49	-2.1	6.5	
Energy Products	4,241	4,516	21,104	35,938	275	6.5	48.3	
Forestry Products	3,356	3,431	28,978	31,330	75	2.2	3.3	
Industrial Goods & Materials	5,367	5,364	42,298	48,056	-3	-0.1	13.0	
Machinery & Equipment	9,028	8,972	63,167	77,360	-56	-0.6	22.9	
Automotive Products	8,028	7,817	71,125	72,384	-211	-2.6	0.2	
Other Consumer Goods	1,207	1,233	10,083	10,796	26	2.2	12.0	
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,584	1,591	13,157	13,715	7	0.4	9.1	
Energy Products	1,606	1,641	7,211	13,154	35	2.2	54.1	
Forestry Products	265	263	2,033	2,289	-2	-0.8	11.4	
Industrial Goods & Materials	5,825	5,846	45,650	52,631	21	0.4	10.8	
Machinery & Equipment	10,458	10,508	79,938	90,907	50	0.5	15.9	
Automotive Products	6,677	6,323	56,473	58,471	-354	-5.3	-2.5	
Other Consumer Goods	3,364	3,367	27,364	29,510	3	0.1	7.0	







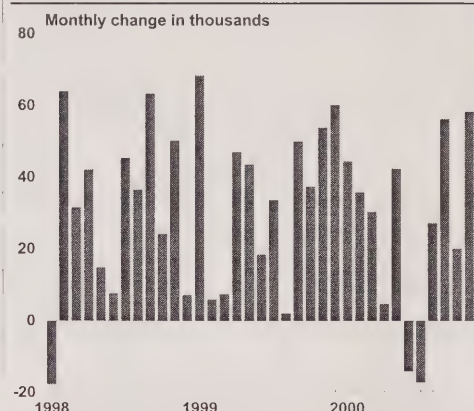
### Job growth picks up in November...

- Employment rose by 58,000 in November, the fourth straight increase and the biggest monthly gain since last January.
- All of this increase was in full-time work (+79,000), as the number of part-time jobs fell by 21,000 in November. Compared to last year, full-time employment is up 2.6%, nearly double the growth in part-time work.

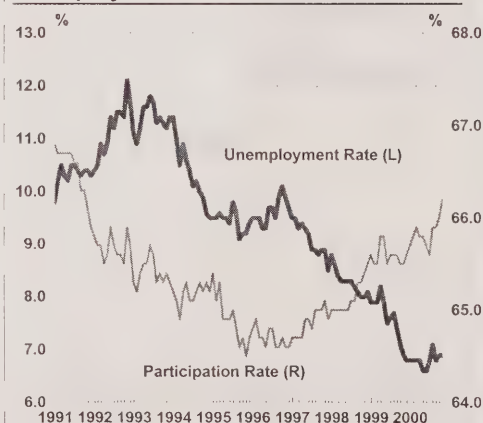
### ...but Canada's unemployment rates holds at 6.9%

- As job gains were matched by growth in the labour force, the unemployment rate was unchanged at 6.9% in November. The adult unemployment rate edged up to 5.8%, but this was offset by a lower rate for youth.
- Employment has increased by 288,000 in the first eleven months of 2000, but the unemployment rate is little changed on a year-to-date basis. Strong job gains over the past three years have raised the participation rate to its highest level since the early 1990s.

### Employment



### Unemployment Rate



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 November	2000 October	2000 November	last month	last year	year-to- date	last month	last year
Employment	14,687.4	14,977.3	15,035.6	58.3	348.2	288.1	0.4	2.4
Full-time	12,030.7	12,263.4	12,342.6	79.2	311.9	247.2	0.6	2.6
Part-time	2,656.8	2,713.9	2,693.0	-20.9	36.2	40.9	-0.8	1.4
Youth 15-24	2,241.8	2,316.2	2,325.1	8.9	83.3	71.0	0.4	3.7
Adult 25+	12,445.7	12,661.1	12,710.5	49.4	264.8	217.2	0.4	2.1
Self-employed	2,449.0	2,366.1	2,359.6	-6.5	-89.4	-149.4	-0.3	-3.7
Unemployment	1,093.0	1,113.3	1,112.8	-0.5	19.8	37.9	-0.0	1.8
Unemployment Rate	6.9	6.9	6.9	0.0	0.0	0.1		
Youth 15-24	13.1	12.9	12.6	-0.3	-0.5	-0.5		
Adult 25+	5.7	5.7	5.8	0.1	0.1	0.2		
Labour Force	15,780.4	16,090.6	16,148.4	57.8	368.0	326.1	0.4	2.3
Participation Rate	65.5	66.0	66.2	0.2	0.7	0.6		
Employment Rate	61.0	61.4	61.6	0.2	0.6	0.4		





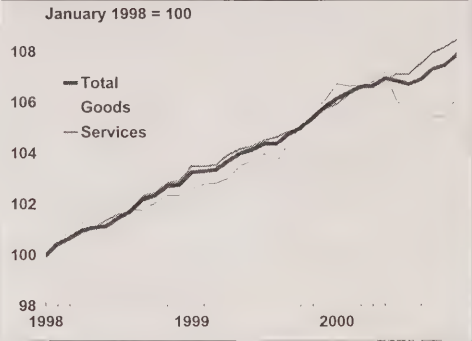
# LABOUR MARKET TRENDS

## Industry Overview

### The Goods and Services sectors both contribute to job growth....

- Solid gains in Construction and Manufacturing helped Goods-producing industries post their biggest overall increase in over two years. Still, this was only the second increase in the past six months, and industries related to Agriculture continued to shed jobs.
- Within Services, Transportation & Warehousing and Finance, Insurance & Real Estate registered the biggest gains, but employment in Professional, Scientific & Technical Services also advanced strongly. Employment in Health Care & Social Assistance fell for the fourth time in six months.

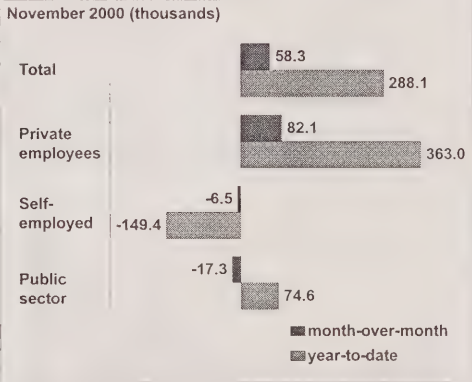
Employment by major sector



### ...but employment in the public sector falls

- The private sector accounted for all net employment gains on the month. Following gains in 1999 and early 2000, public sector employment has fallen back since July.
- Self-employment fell 7,000 in November, remaining weak following several years of strong growth.

Employment growth by worker category



## Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 November	2000 October	2000 November	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,848.6	3,843.1	3,870.7	27.6	22.1	5.4	0.7	0.6
Agriculture	404.9	355.3	349.4	-5.9	-55.5	-49.7	-1.7	-13.7
Natural Resources*	270.8	285.8	286.3	0.5	15.5	11.0	0.2	5.7
Utilities	114.4	115.6	118.0	2.4	3.6	2.6	2.1	3.1
Construction	803.6	800.7	817.1	16.4	13.5	9.7	2.0	1.7
Manufacturing	2,255.0	2,285.8	2,299.9	14.1	44.9	31.7	0.6	2.0
<b>Services-producing</b>	10,838.8	11,134.2	11,164.9	30.7	326.1	282.7	0.3	3.0
Trade	2,260.5	2,341.2	2,337.0	-4.2	76.5	65.3	-0.2	3.4
Transportation	764.3	779.1	796.5	17.4	32.2	32.3	2.2	4.2
FIRE*	863.1	869.7	884.5	14.8	21.4	19.2	1.7	2.5
Professional/Scientific	911.5	974.4	985.5	11.1	74.0	59.0	1.1	8.1
Management/Administrative	515.6	567.2	569.4	2.2	53.8	51.9	0.4	10.4
Educational Services	993.7	969.4	974.4	5.0	-19.3	-27.3	0.5	-1.9
Health Care/Social Assistance	1,475.5	1,529.0	1,509.4	-19.6	33.9	37.5	-1.3	2.3
Information/Culture/Recreation	638.6	685.7	695.8	10.1	57.2	59.6	1.5	9.0
Accommodation & Food	938.3	956.5	948.1	-8.4	9.8	-2.5	-0.9	1.0
Other Services	713.1	696.6	696.6	0.0	-16.5	-12.3	0.0	-2.3
Public Administration	764.6	765.5	767.9	2.4	3.3	0.1	0.3	0.4

\*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.





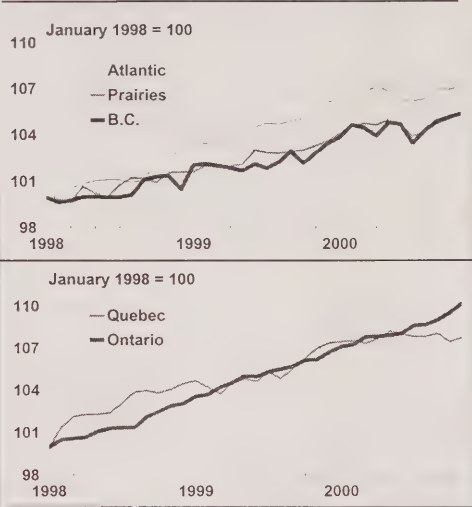
Ontario leads November job gains...

- Job growth remains strong in Ontario, rising by 35,000 in November. Still, while Ontario led all provinces in percentage growth -- both on a monthly and year-over-year basis -- growth in the labour force has been even faster and the unemployment rate has risen slightly.
- In B.C., employment gains and a large drop in the labour force pushed down the jobless rate by 0.7 percentage points to 7.0% in November. A similar pattern also led to lower unemployment in Saskatchewan. Quebec was the only other province registering a drop in its unemployment rate.

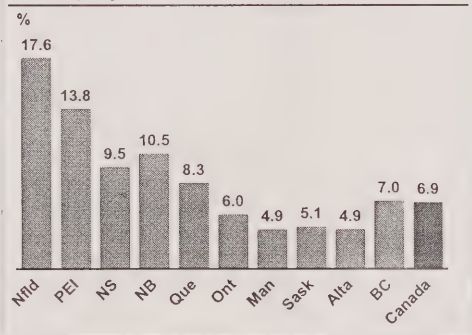
...as employment edges lower in Manitoba, PEI and Newfoundland

- Manitoba, P.E.I. and Newfoundland all registered modest declines in employment in November. The biggest jump in unemployment rates in these three provinces was in Newfoundland, where the rate rose one full point to 17.6%.
- Elsewhere, modest job gains were more than offset by growth in the labour force, leading to higher unemployment rates. Of particular note is a sharp 0.8 point increase in New Brunswick.

Regional employment patterns



Unemployment Rates -- November 2000



Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment rate (%)		
	<u>Levels</u>	Change since		Change since		<u>Levels</u>	<u>Change since</u>	
	2000	last month		last year			last	last
	November	(000's)	%	(000's)	%		month	year
Canada	15,035.6	58.3	0.4	348.2	2.4	6.9	0.0	0.0
Newfoundland	205.4	-0.3	-0.1	-6.0	-2.8	17.6	1.0	1.9
P.E.I.	63.5	-0.5	-0.8	0.6	1.0	13.8	0.3	0.6
Nova Scotia	420.2	1.8	0.4	8.6	2.1	9.5	0.2	0.0
New Brunswick	338.9	1.6	0.5	7.7	2.3	10.5	0.8	0.9
Quebec	3,437.5	9.2	0.3	23.8	0.7	8.3	-0.2	0.0
Ontario	5,961.8	35.4	0.6	215.6	3.8	6.0	0.1	0.3
Manitoba	555.0	-0.7	-0.1	7.9	1.4	4.9	0.3	-0.3
Saskatchewan	484.8	0.6	0.1	1.2	0.2	5.1	-0.4	-0.2
Alberta	1,604.5	7.0	0.4	41.6	2.7	4.9	0.2	-0.5
B.C.	1,964.1	4.3	0.2	47.3	2.5	7.0	-0.7	-1.0







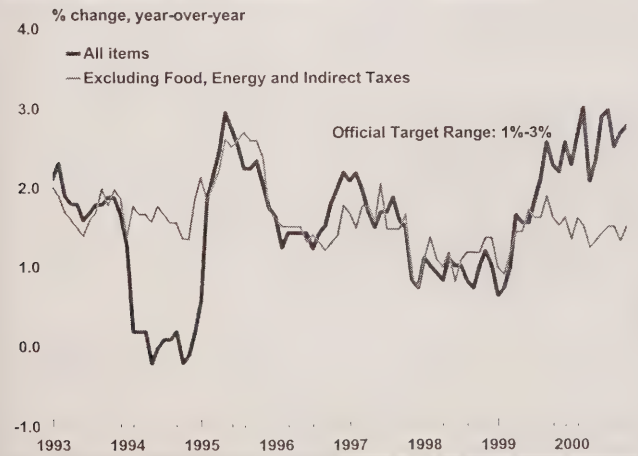
*Inflation reaches 2.8% in October...*

- The annual rate of CPI inflation rose to 2.8% in October. Higher energy prices remain the most important factor behind rising prices, accounting for about half of the year-over-year increase. Higher costs for mortgage interest, restaurant food, telephone services and rent also contributed.
- Motor vehicle prices have fallen due to generous financial incentives offered by automakers to reduce inventories. Lower prices for computer equipment and childcare expenses also placed downward pressure on inflation in October.

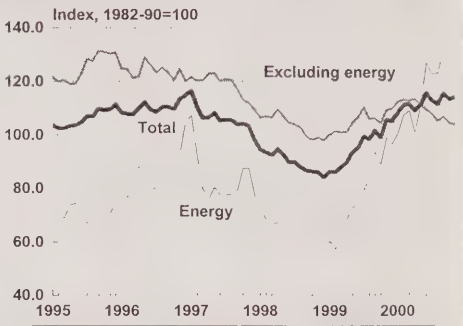
*...but the "core" rate remains below the midpoint of the official target range*

- Excluding energy, food and indirect taxes, the "core" rate of inflation rose 0.2 points to 1.5% in October, within the bottom half of the 1-3% target range set jointly by the Bank of Canada and Department of Finance.
- Commodity prices were up 8.0% in November compared to last year, solely on the strength of higher energy prices. Non-energy prices were down almost 5% on a year-over-year basis.

Consumer Price Index



Commodity Prices (\$U.S. basis)



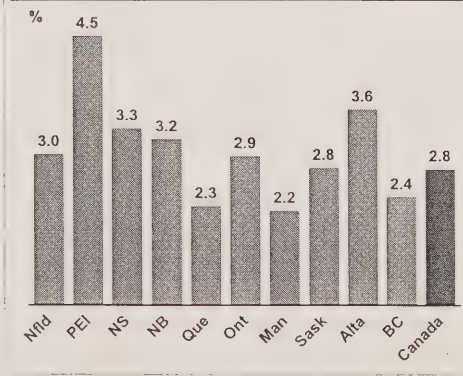
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	114.6	0.2	2.8
Food	112.0	-0.2	1.9
Shelter	110.6	0.9	4.5
Household operations	110.7	0.2	1.0
Clothing & Footwear	107.5	0.1	0.2
Transportation	131.5	-0.3	3.5
Health & Personal Care	112.8	0.4	2.0
Recreation, Educ. & Reading	124.4	-0.4	2.0
Alcohol & Tobacco	98.1	-0.3	3.7
Excl. Food/Energy/Indirect Taxes	114.3	0.1	1.5
Energy	134.6	1.4	15.2

Commodity Prices (November)

Index, 1982-90=100	114.3	0.6	8.0
Excluding Energy	104.1	-0.5	-4.8
Energy	133.3	2.1	34.5

Provincial CPI Inflation -- October 2000





# PRICES and FINANCIAL MARKETS

## Short-term and Long-term Interest Rates



### *The Bank of Canada holds the line on interest rates...*

- Market-determined short rates rose steadily over the course of November, based on sentiment that the Bank of Canada might raise rates to support the dollar. However, indications of a sharper-than-expected slowdown in the United States lowered rates suddenly at the end of the month.
- Against this backdrop, the Bank of Canada announced on December 5th that it would hold the Bank Rate steady at 6.0%. The Bank pointed to robust domestic demand, and served notice that it would be looking for signs that higher energy prices were being passed through to other areas of the economy.

### *...but lower bond yields provide some rate relief*

- Slower growth in the U.S. eased inflation fears and put downward pressure on North American bond yields in November. Recent sharp losses in the stock market also raised the demand for bonds. Accordingly, Canadian long-term bond yields fell 10 basis points in November. Bond yields fell even faster in the U.S., eliminating the gap between Canadian and U.S. yields as of December 6th.
- While major banks have not lowered their prime lending rates in response to falling bond yields, mortgage rates fell 10-15 basis points in early December.

#### Short-term Interest Rates

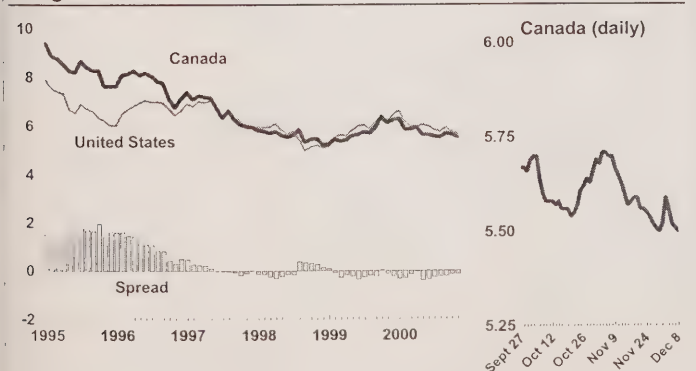


#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
June 2000	5.89	-0.78	5.61	-0.36
July	5.88	-0.71	5.55	-0.27
August	5.90	-0.67	5.51	-0.23
Sept	5.83	-0.72	5.67	-0.23
Oct	5.85	-0.75	5.61	-0.14
Nov	5.89	-0.68	5.51	-0.15
Dec 6	5.78	-0.78	5.52	0.00

A positive spread indicates that Canadian rates are above their U.S. counterparts.

#### Long-term Bond Yields



#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate	
			1 year	5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
June 2000	6.00	7.50	8.10	8.45
July	6.00	7.50	7.90	8.25
August	6.00	7.50	7.90	8.25
Sept	6.00	7.50	7.90	8.25
Oct	6.00	7.50	7.90	8.25
Nov	6.00	7.50	7.90	8.25
Dec 6	6.00	7.50	7.80	8.10





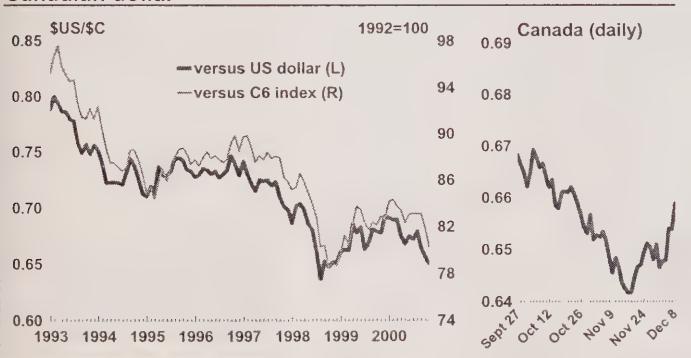
### Canadian stock prices fall for the third straight month...

- The TSE continued its slide in November, closing the month down 8.5% and bringing losses since August to more than 20%. Lower-than-expected profits in key sectors and weak prices for non-energy commodities contributed to the widespread declines in November. Even with recent losses, however, the TSE 300 ended November up 17.2% compared to a year ago.
- The U.S. stock market also performed poorly in November, with the S&P 500 falling 8% and the Dow Jones losing 5%. In contrast to the Canadian market, however, both major U.S. indexes are down on a year-over-year basis.

### ...as the dollar hits a two-year low before regaining some strength

- The Canadian dollar fell to US\$64.17 on November 17, its lowest level in more than two years. The Federal Reserve's decision not to lower U.S. rates was an important factor behind this weakness, but low non-energy commodity prices and deteriorating corporate profit performances also contributed.
- The dollar subsequently regained some lost ground, closing November above US\$65 and approaching the US\$66 level by December 8th. Evidence that the Canadian economy was continuing to grow at a fast pace as the U.S. economy was slowing provided support.

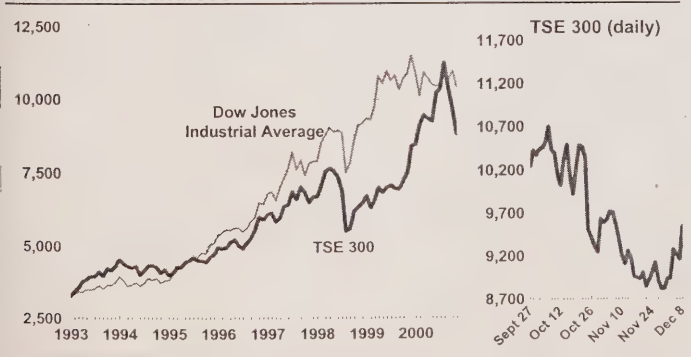
#### Canadian dollar



#### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
June 2000	0.6754	83.06	1.393	71.84
July	0.6725	83.17	1.410	73.23
August	0.6796	83.13	1.459	72.86
Sept	0.6651	83.16	1.513	71.88
Oct	0.6568	81.87	1.517	71.70
Nov	0.6510	80.34	1.485	70.75
Dec 8	0.6590			

#### Stock Market Indices



#### Key Stock Market Indexes

		% change from	
	November Close	last month	last year
<b>TSE 300</b>	<b>8,820</b>	<b>-8.5</b>	<b>17.2</b>
Oil & Gas	7,531	2.6	31.6
Metals & Minerals	3,429	-2.8	-9.9
Utilities	15,237	-1.9	52.8
Paper & Forest	4,539	-4.1	-4.4
Merchandising	5,534	0.7	13.6
Financial Services	9,843	-2.8	34.2
Goods	4,081	11.2	-21.4
Price-Earnings Ratio*	24.9	-2.6	-11.8
<b>S&amp;P 500</b>	<b>1,315</b>	<b>-8.0</b>	<b>-5.3</b>
<b>Dow Jones</b>	<b>10,415</b>	<b>-5.1</b>	<b>-4.3</b>

\*columns 2 & 3 reflect change in levels







### *The U.S. economy slows considerably in the third quarter...*

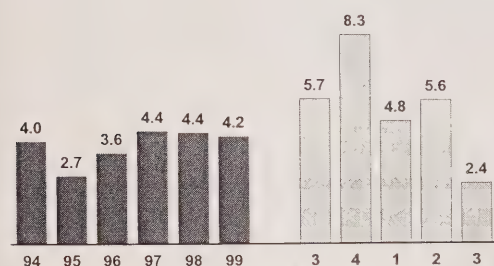
- Preliminary estimates indicate that U.S. real GDP growth slowed to 2.4% (annual rate) in the third quarter of 2000, the weakest rise since the third quarter of 1996. Consumer spending remained strong but import growth jumped sharply in the quarter.
- The U.S. trade deficit widened to \$34.3 billion in September. Rising imports fuelled the higher deficit, as exports decreased slightly.
- The U.S. labour market continues to soften, with employment up only 94,000 in November. Private sector employment rose by 148,000, but this was partly offset by fewer government jobs. The U.S. unemployment rate edged up to 4.0%, compared to October's 3.9%.

### *...and the Fed leaves interest rates unchanged*

- Despite the softening in demand, the Federal Reserve maintained the existing stance of monetary policy at its November 15 meeting, keeping its target for the federal funds rate at 6.5%.
- On a year-over-year basis, U.S. consumer prices were up 3.4% in October. Although it has risen through much of 2000, core inflation fell to 2.5%. Producer prices were up 3.6% on a year-over-year basis.

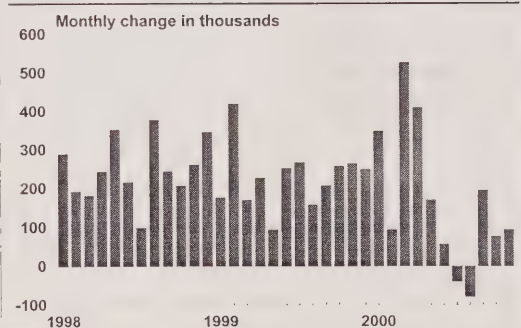
#### U.S. Real GDP Growth

% change, SAAR



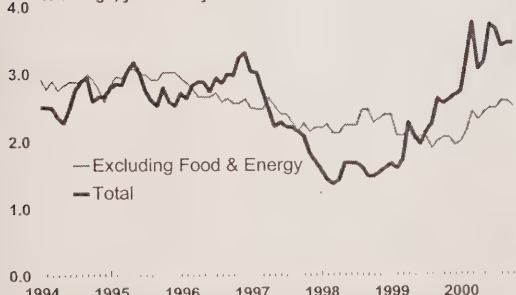
#### U.S. Non-farm Payrolls

Monthly change in thousands

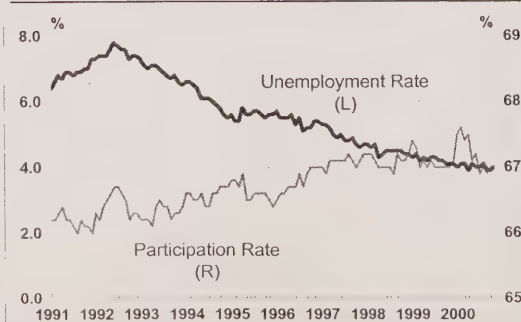


#### U.S. Consumer Price Inflation

% change, year-over-year



#### U.S. Unemployment & Participation Rates







## CANADA

Consumer Price Index – November .....	December 14
Survey of Manufacturing – October .....	December 18
International Trade – October .....	December 19
GDP at factor cost – October .....	December 22
Labour Force Survey – December .....	January 5
Business Conditions Survey – January .....	February 1
Private and Public Investment Intentions – 2001 .....	February 21
Financial Statistics For Enterprises – 4th Quarter 2000 .....	February 27
National Economic & Financial Accounts – 4th Quarter 2000 .....	February 28
Balance of International Payments – 4th Quarter 2000 .....	February 28
Capacity Utilization Rates – 4th Quarter 2000 .....	March 9

## UNITED STATES

Consumer Price Index – November .....	December 15
International Trade – October .....	December 19
Federal Open Market Committee meeting .....	December 19
GDP – 3rd Quarter 2000, Final .....	December 21
Employment Situation – December .....	January 5

Note: the December MEI uses data available as of December 8, 2000



# MONTHLY ECONOMIC INDICATORS

## January 2001

### HIGHLIGHTS

Output rebounds in October, leaving the economy on track for growth of 5% overall in 2000.

December job gains lower the unemployment rate to 6.8%.

Supported by higher energy prices, Canada's trade surplus remains high even as export growth slows.

The weakening U.S. economy prompts a cut in U.S. rates, pointing to lower rates in Canada.

The Canadian dollar strengthens in December and early January.

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	797.0	0.5	4.6	Oct
Goods	260.8	0.7	4.3	Oct
Services	536.2	0.4	4.7	Oct
Composite Index	168.0	0.3	8.7	Nov
Employment (000's)	15,067	0.2	2.2	Dec
Full-time	12,359	0.1	2.2	Dec
Part-time	2,708	0.6	2.1	Dec
Unemployment* (%)	6.8	6.9	6.8	Dec
Youth*	12.5	12.6	13.1	Dec
Adult*	5.7	5.8	5.6	Dec
CPI inflation*	3.2	2.8	2.2	Nov
Retail Sales (\$M)	23,293	-0.9	6.3	Oct
Housing Starts (000's)	148.0	-4.9	-7.1	Dec
Trade Balance* (\$M)	4,561	4,562	2,563	Oct
Exports	35,090	0.1	13.5	Oct
Imports	30,529	0.1	7.7	Oct
M&E	10,373	-0.9	8.8	Oct
3-mth Corp. paper* (%)	5.70	5.89	5.27	Jan 3
Long bond yield* (%)	5.63	5.51	6.23	Jan 3
Canadian dollar* (US¢)	66.72	65.10	69.29	Jan 5

\*Data in levels only – % change not reported.

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).







# **MONTHLY ECONOMIC INDICATORS**

## **January 2001**

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This report uses data available as of January 5, 2001. It has been prepared by Éric Chalifoux, Joe Macaluso, Arif Mahmud and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).





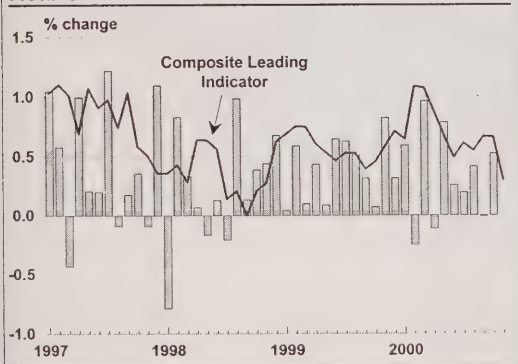
### Output regains strength in October...

- After pausing in September, real GDP at factor cost advanced 0.5% in October. The economy is on track for growth of just under 5% overall in 2000.

### ...with healthy gains in both Goods and Services

- Output in the Goods sector increased by 0.7% in October. This was due largely to a rebound in Manufacturing, where gains were broadly based, but led by the electrical and electronic equipment industry. Elsewhere, Construction activity eased back slightly, while a sharp rise in drilling and rigging activity boosted output in the Mining sector. Slower housing demand in the U.S. contributed to a further drop in the Logging & Forestry Industry.
- The Services sector expanded 0.4% in October. Wholesale Trade rebounded strongly following two weak months, while architectural, engineering and scientific services boosted output of Business Services. The only decline among the major Service groups was in Retail Trade, which experienced a sharp reduction in auto sales.

Real GDP at Factor Cost



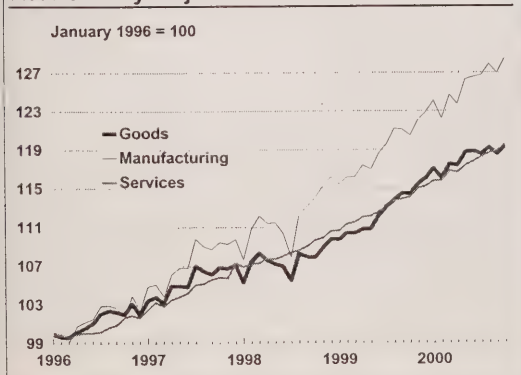
Real GDP at Factor Cost (1992 dollars)

#### October 2000

	\$ millions	monthly change	% Change since last month	% Change since last year
<b>Total Economy</b>	796,986	4,153	0.5	4.6
<b>Business sector</b>	667,398	3,873	0.6	5.2
<b>Goods</b>	260,755	1,764	0.7	4.3
Agriculture	12,875	-14	-0.1	-4.8
Fishing & Trapping	661	-11	-1.6	-6.4
Logging & Forestry	4,676	-125	-2.6	-2.5
Mining*	27,428	236	0.9	5.1
Manufacturing	146,308	1,822	1.3	6.7
Construction	42,639	-70	-0.2	1.9
Other Utilities	26,168	-74	-0.3	1.2
<b>Services</b>	536,231	2,389	0.4	4.7
Transport & Storage	36,976	33	0.1	4.4
Communications	30,962	292	1.0	11.1
Wholesale Trade	51,353	689	1.4	5.2
Retail Trade	51,337	-265	-0.5	6.7
Finance & Insurance	44,232	327	0.7	8.0
Real Estate & Ins. Agent	83,368	261	0.3	2.8
Business services	51,411	669	1.3	11.0
Government services	47,645	119	0.3	2.8
Education	40,984	59	0.1	0.5
Health & Social Services	46,486	64	0.1	0.4
Accommodation & Food	21,383	55	0.3	4.5
Other	30,094	86	0.3	1.7

\*Includes Quarrying and Crude Petroleum & Natural Gas

Real GDP by major sector





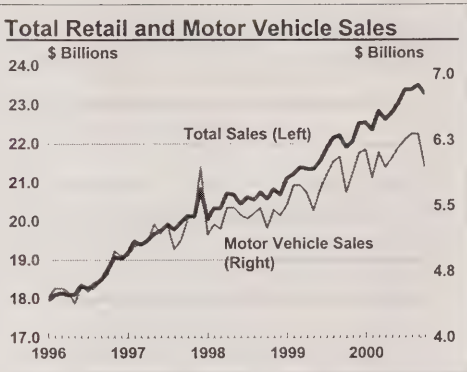


Consumer spending maintains strength in the third quarter...

- Consumer spending posted its strongest increase in over two years in the third quarter.
- While spending was up across all major categories, purchases of consumer durables jumped 16.3% (annualized), as motor vehicle sales were boosted by generous manufacturers' incentives.

...but may slow in the fourth quarter

- Disposable income rose at a slower rate than personal income in the third quarter (1.4%), with growth in transfers to governments outpacing income growth. After adjusting for inflation, personal disposable income fell 1.5%, the first quarterly drop in four years.
- Employment growth has been strong and consumer confidence remains high, but retail sales fell 0.9% in October. This decline was led by lower sales of motor vehicles, which had previously been boosted by generous incentives. Excluding motor vehicles, sales were up 0.9% on the month. More recent data point to a slight recovery in auto sales for November, but lower department store sales.

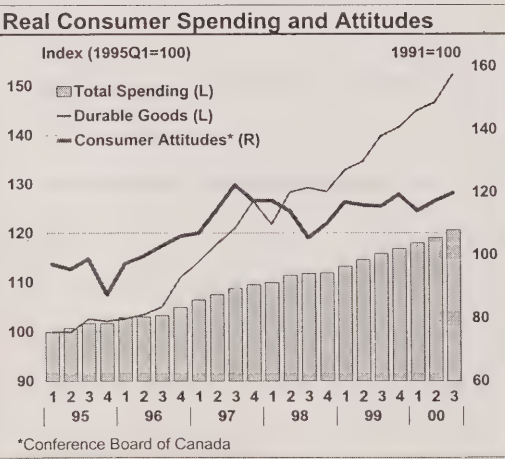


Retail Sales and Consumer Credit

	October 2000	% Change since	
		last month	last year
	\$ millions		
Total Retail Sales (S.A.)	23,293	-0.9	6.3
Food	5,163	0.6	5.2
Drug Stores	1,151	0.5	3.1
Clothing	1,282	-1.4	5.4
Furniture	1,288	-0.5	7.3
Automotive	9,222	-3.3	8.3
General Merch. Stores	2,659	3.1	3.1
All other Stores	2,527	0.9	6.4
Total ex. motor vehicles	17,339	0.9	6.7
Consumer Credit (unadjusted)	188	0.9	9.2

Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)			
	1998	1999	
Real Consumption (92\$)	487,866	504,763	
% change	2.9	3.5	
Durable Goods	66,487	71,859	
% change	5.9	8.1	
Semi-Durable Goods	45,751	47,103	
% change	4.4	3.0	
Non-Durable Goods	120,795	123,344	
% change	1.7	2.1	
Services	254,833	262,457	
% change	2.5	3.0	
Disposable Income	567,960	590,608	
% change	3.9	4.0	
Saving Rate (%)	4.5	3.7	
Debt-to-Income Ratio (%)	94.9	96.1	









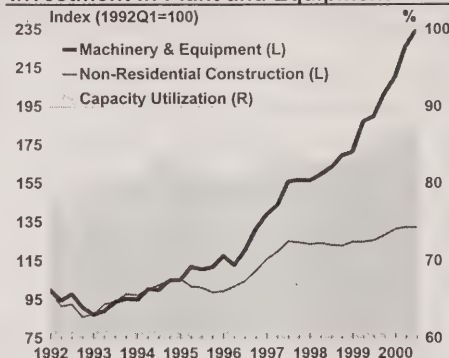
### *Business investment is strong in the third quarter...*

- Business investment in M&E remains very strong, rising 16.0% (annual rate) in the third quarter. Purchase of telecommunications equipment led the third quarter advance.
- Non-Residential Construction activity edged lower. Non-residential building was flat, and exploration activity in the oil and gas sector has been constrained by poor weather and shortages of equipment and personnel.

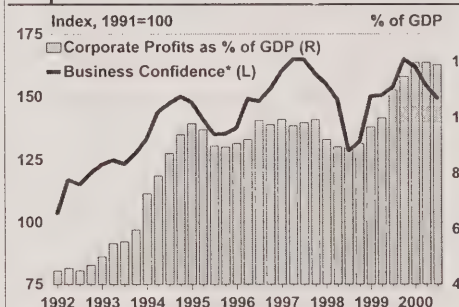
### *...but may slow over the near term*

- Slowing growth and a sluggish profit performance may dampen future business investment.
- Indeed, total imports of M&E fell in October, despite increased purchases of communication equipment and computers. Non-residential building activity fell for the third consecutive month in October, but oil and gas drilling activity picked up with more favourable weather conditions.

#### Investment in Plant and Equipment



#### Corporate Profits & Business Confidence



\*Conference Board of Canada

### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q4	2000 Q1	2000 Q2	2000 Q3
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	65,357	75,557	81,248	84,616	91,036	94,472
% change	9.0	15.6	27.2	17.6	34.0	16.0
Non-residential Construction (1992\$)	39,502	40,288	41,040	42,056	42,348	42,296
% change	1.7	2.0	8.6	10.3	2.8	-0.5
Capacity Utilization (% , Non-farm goods)	82.8	84.6	86.0	86.8	87.0	86.9
Capacity Utilization (Mfg. sector)	83.8	85.7	86.6	87.1	87.1	87.5
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	142,296.0	174,317.0	189,792.0	204,916.0	209,996.0	210,212.0
% change	-13.3	22.5	19.0	35.9	10.3	0.4
Profits - Non-financial industries	94,891.0	123,372.0	135,332.0	139,896.0	145,836.0	148,632.0
% change	-13.6	30.0	18.4	14.2	18.1	7.9
Profits - Financial industries	47,406.0	50,945.0	54,460.0	65,016.0	64,160.0	61,580.0
% change	-12.5	7.5	20.5	103.1	-5.2	-15.1
Business Credit	693,247.3	729,422.8	746,826.3	758,165.0	775,813.7	785,092.3
% change	10.7	5.2	6.4	6.2	9.6	4.9





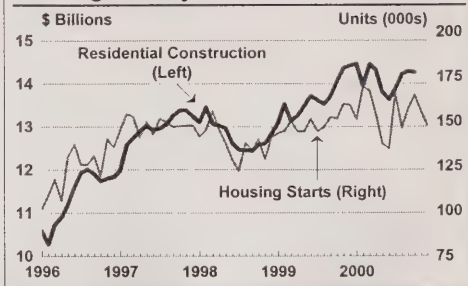
### *The housing market recovers in the third quarter...*

- Business investment in Residential Construction rose 6.0%, partly offsetting a decline in the previous quarter.
- The continuing recovery from a Spring strike by cement truck drivers in Toronto contributed greatly to this advance, leading to higher investment in new housing. Sales of existing homes were also up on the quarter along with an increase in the pace of renovation activity.

### *...but weakens in the fourth quarter*

- Most indicators point to a weaker fourth quarter. Residential construction was down 0.2% in October, although this follows strong gains in the previous three months. Housing starts declined in November and December, and fell 0.3% overall in the fourth quarter.
- Mortgage rates dropped 20-30 basis points across the board in December, which may support future activity in the sector. Residential building permits also remain firm.

### Housing Activity



### Monthly Housing Indicators

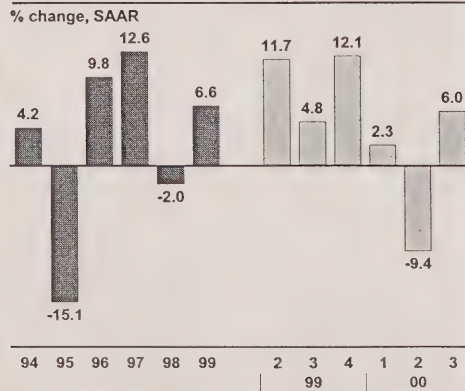
	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	14,266	-0.2%	1.4%
<b>Building Permits, \$M (1)</b>	1,730	5.5%	-2.5%
<b>Sales of Existing Homes (2)</b> (# of units)	20,884	890	
<b>Housing Starts, # of units (3)</b>	148,000	-7,600	-11,300
Newfoundland	1,100	200	200
Prince Edward Island	600	200	300
Nova Scotia	3,300	1,400	800
New Brunswick	1,200	-1,300	-400
Quebec	18,800	-4,900	-1,300
Ontario	65,900	-1,300	-2,700
Manitoba	1,500	200	-100
Saskatchewan	800	-1,000	-1,000
Alberta	22,600	-900	1,200
British Columbia	11,000	-200	-5,000

1 - October data; 2 - November data; 3 - December data  
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

### Real Investment in Residential Structures

	\$92 Millions, SAAR (unless otherwise noted)			
	1998	1999	2000 Q2	2000 Q3
<b>Residential Construction</b>	41,523	44,259	44,912	45,564
% change	-2.0	6.6	-9.3	5.9
<b>Construction by Business sector</b>	41,277	43,983	44,640	45,292
% change	-2.0	6.6	-9.4	6.0
<b>New Housing</b>	20,701	22,258	21,968	22,268
% change	-3.5	7.5	-17.8	5.6
<b>Alterations &amp; Improvements</b>	13,640	14,399	15,380	15,644
% change	2.4	5.6	2.6	7.0
<b>Ownership &amp; Transfer Costs</b>	7,182	7,259	7,564	7,652
% change	-5.7	1.1	-5.5	4.7

### Growth in Real Residential Construction





# THE ECONOMY

## Trade and Competitiveness



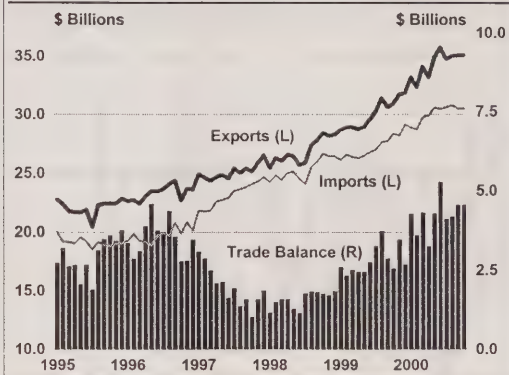
### Exports and imports are little changed in October...

- Exports edged up 0.1% in October. Exports of Automotive Products increased substantially, but this was offset by a sharp drop in Energy Products exports.
- Imports also edged up 0.1%, as a rebound in imports of Automotive Products was partly offset by declines in Industrial Goods & Materials and M&E.

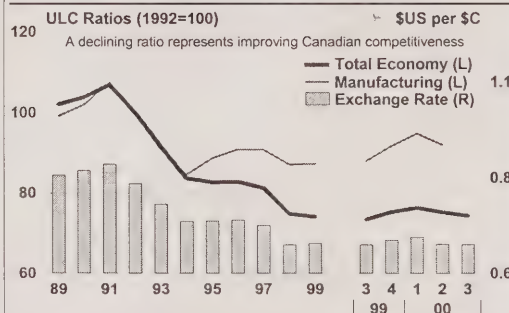
### ...leaving Canada's trade surplus unchanged

- With only a small increase in both exports and imports, Canada's trade surplus was unchanged at \$4.6 billion in October.
- The cumulative trade surplus over the first ten months of the year was \$42.5 billion, up \$14.9 billion on a year-to-date basis. Two-thirds of this improvement is due to a higher surplus on Energy Products, which has been boosted by higher prices.

#### Merchandise Trade Flows and Balance



#### Canada-U.S. Unit Labour Cost Ratios



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

#### Merchandise Trade

October 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	September 2000	October 2000	1999 Jan-Oct.	2000 Jan-Oct.	Sept. to Oct. 2000	Sept. to Oct. 2000	Oct. 1999 to Oct. 2000	
<b>Exports</b>	35,067	35,090	297,059	343,392	23	0.1	13.5	
to United States	30,284	30,516	255,080	295,377	232	0.8	14.8	
<b>Imports</b>	30,505	30,529	269,442	300,874	24	0.1	7.7	
from United States	22,380	22,387	206,251	221,881	7	0.0	4.8	
<b>Trade Balance</b>	4,562	4,561	27,617	42,518	-1			
with United States	7,904	8,129	48,829	73,496	225			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,307	2,223	21,180	22,835	-84	-3.6	3.1	
Energy Products	4,604	4,158	23,924	40,492	-446	-9.7	47.4	
Forestry Products	3,425	3,408	32,311	34,716	-17	-0.5	2.3	
Industrial Goods & Materials	5,382	5,470	47,253	53,564	88	1.6	10.4	
Machinery & Equipment	8,977	9,138	70,607	86,575	161	1.8	22.8	
Automotive Products	7,843	8,206	79,099	80,716	363	4.6	2.9	
Other Consumer Goods	1,236	1,256	11,207	12,062	20	1.6	11.7	
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,595	1,607	14,691	15,315	12	0.8	4.8	
Energy Products	1,504	1,525	8,275	14,501	21	1.4	43.3	
Forestry Products	263	253	2,260	2,535	-10	-3.8	11.5	
Industrial Goods & Materials	5,864	5,747	50,982	58,354	-117	-2.0	7.8	
Machinery & Equipment	10,462	10,373	89,471	101,326	-89	-0.9	8.8	
Automotive Products	6,331	6,479	62,931	64,991	148	2.3	0.3	
Other Consumer Goods	3,388	3,477	30,519	33,029	89	2.6	10.2	





# LABOUR MARKET TRENDS

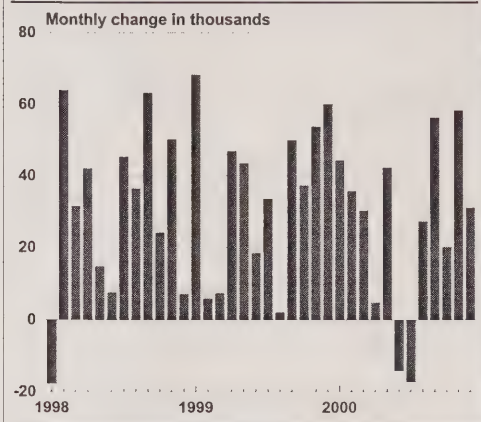
## Employment and Unemployment



### Job gains in December...

- Employment rose by 31,000 in December, with gains split fairly evenly between full-time and part-time work.
- The labour market has bounced back strongly following some weakness in the summer months. Employment rose 319,000 overall in 2000, building on an increase of 427,000 net new jobs in 1999.
- Job gains over the past year were especially strong for youth and adult women.

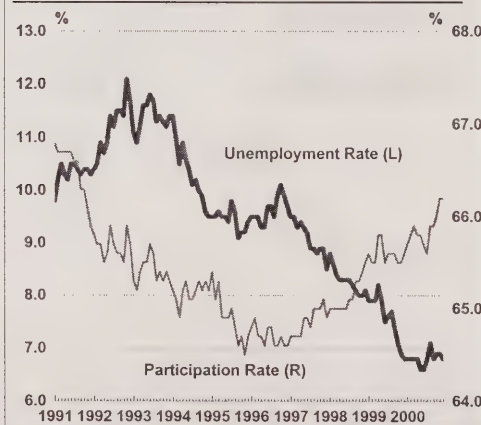
### Employment



### ...lower the unemployment rate to 6.8%

- Although the labour force also increased, December job gains lowered the national unemployment rate by 0.1 percentage points to 6.8%. This is the same rate as at the end of last year.
- Job growth was matched by increases in the labour force over the course of the year. The participation rate is now 66.2%, the highest level since the early 1990s.

### Unemployment Rate



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	1999 December	2000 November	2000 December	last month	last year	year-to- date	last month	last year
Employment	14,747.5	15,035.6	15,066.7	31.1	319.2	319.2	0.2	2.2
Full-time	12,095.4	12,342.6	12,358.7	16.1	263.3	263.3	0.1	2.2
Part-time	2,652.1	2,693.0	2,708.0	15.0	55.9	55.9	0.6	2.1
Youth 15-24	2,254.1	2,325.1	2,344.4	19.3	90.3	90.3	0.8	4.0
Adult 25+	12,493.3	12,710.5	12,722.3	11.8	229.0	229.0	0.1	1.8
Self-employed	2,509.0	2,359.6	2,363.3	3.7	-145.7	-145.7	0.2	-5.8
Unemployment	1,074.9	1,112.8	1,103.7	-9.1	28.8	28.8	-0.8	2.7
Unemployment Rate	6.8	6.9	6.8	-0.1	0.0	0.0		
Youth 15-24	13.1	12.6	12.5	-0.1	-0.6	-0.6		
Adult 25+	5.6	5.8	5.7	-0.1	0.1	0.1		
Labour Force	15,822.3	16,148.4	16,170.4	22.0	348.1	348.1	0.1	2.2
Participation Rate	65.6	66.2	66.2	0.0	0.6	0.6		
Employment Rate	61.2	61.6	61.7	0.1	0.5	0.5		

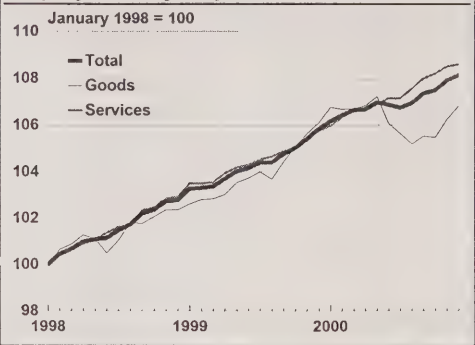




Services pace job growth in 2000...

- The Manufacturing sector posted the biggest net job gain in December, sustaining the recent pickup in this industry following a weak third quarter. For the year as a whole, labour market conditions were weaker in the Goods sector, due to a marked decline in Agricultural employment and a marginal advance in Natural Resource-based industries.
- Although Manufacturing was key to the December advance, broad-based gains in Services-producing industries were the main source of job growth in 2000. However, a notable job loss in Education Services offset gains in the previous year.

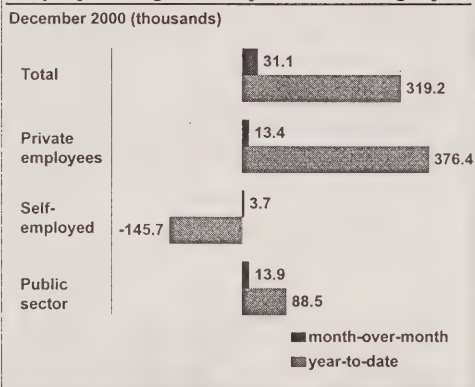
Employment by major sector



...but self-employment drops for first time since the mid-1980s

- Paid employment in the private sector was the main source of growth, the public sector contributed to job gains in 2000 for the second year in a row.
- Despite a modest increase in December, self-employment fell by 146,000 overall in 2000, the first annual drop since 1986.

Employment growth by worker category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	1999 December	2000 November	2000 December	last month	last year	year-to- date	last month	last year
Goods-producing	3,865.3	3,870.7	3,891.8	21.1	26.5	26.5	0.5	0.7
Agriculture	399.1	349.4	347.5	-1.9	-51.6	-51.6	-0.5	-12.9
Natural Resources*	275.3	286.3	277.7	-8.6	2.4	2.4	-3.0	0.9
Utilities	115.4	118.0	117.7	-0.3	2.3	2.3	-0.3	2.0
Construction	807.4	817.1	820.6	3.5	13.2	13.2	0.4	1.6
Manufacturing	2,268.2	2,299.9	2,328.4	28.5	60.2	60.2	1.2	2.7
Services-producing	10,882.2	11,164.9	11,174.9	10.0	292.7	292.7	0.1	2.7
Trade	2,271.7	2,337.0	2,354.4	17.4	82.7	82.7	0.7	3.6
Transportation	764.2	796.5	787.8	-8.7	23.6	23.6	-1.1	3.1
FIRE*	865.3	884.5	881.9	-2.6	16.6	16.6	-0.3	1.9
Professional/Scientific	926.5	985.5	988.6	3.1	62.1	62.1	0.3	6.7
Management/Administrative	517.5	569.4	559.2	-10.2	41.7	41.7	-1.8	8.1
Educational Services	1,001.7	974.4	952.1	-22.3	-49.6	-49.6	-2.3	-5.0
Health Care/Social Assistance	1,471.9	1,509.4	1,523.7	14.3	51.8	51.8	0.9	3.5
Information/Culture/Recreation	636.2	695.8	700.6	4.8	64.4	64.4	0.7	10.1
Accommodation & Food	950.6	948.1	965.7	17.6	15.1	15.1	1.9	1.6
Other Services	708.9	696.6	698.4	1.8	-10.5	-10.5	0.3	-1.5
Public Administration	767.8	767.9	762.4	-5.5	-5.4	-5.4	-0.7	-0.7

\*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.





Provincial Overview

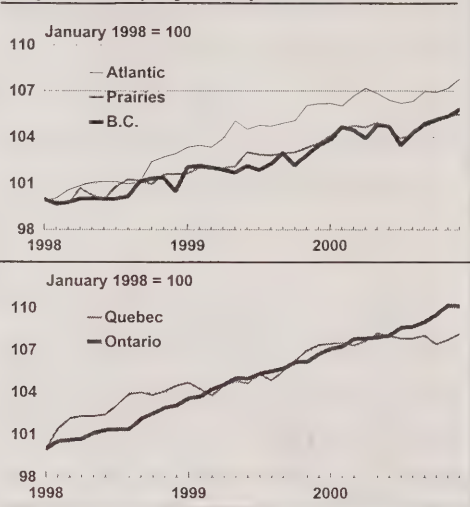
While Quebec leads December job growth...

- Quebec led all provinces in job growth in December. Its unemployment rate fell to 8.0%, the lowest rate since 1976.
- In percentage terms, sizeable employment gains were also registered in Prince Edward Island and Nova Scotia, leading to lower employment rates.

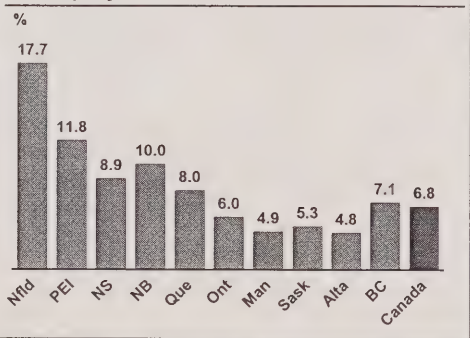
...most provinces register gains on the year, led by Ontario

- Employment in Ontario paused in December, but this province led the country in job growth on the year in both absolute and percentage terms. Growth in the labour force was even stronger, however, leading to a 0.5 point rise in the unemployment rate.
- Saskatchewan and Newfoundland both registered job losses in December and on the year. Job losses in Newfoundland, which raised the unemployment rate 3.6 points on the year, follow three years of strong growth spurred by energy-related projects. In Saskatchewan, the unemployment rate was unchanged from the previous year due to a matching drop in the labour force.
- In all other provinces, employment was up and unemployment was down in 2000.

Regional employment patterns



Unemployment Rates -- December 2000



Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels	Change since		Change since			Levels	Change since	
	2000 December	last month (000's)	%	last year (000's)	%		last month	last year	
Canada	15,066.7	31.1	0.2	319.2	2.2		6.8	-0.1	0.0
Newfoundland	204.7	-0.7	-0.3	-6.5	-3.1		17.7	0.1	3.6
P.E.I.	65.3	1.8	2.8	1.6	2.5		11.8	-2.0	-0.9
Nova Scotia	425.6	5.4	1.3	11.7	2.8		8.9	-0.6	-0.7
New Brunswick	338.3	-0.6	-0.2	8.9	2.7		10.0	-0.5	-0.2
Quebec	3,451.4	13.9	0.4	25.8	0.8		8.0	-0.3	-0.1
Ontario	5,960.4	-1.4	-0.0	186.4	3.2		6.0	0.0	0.5
Manitoba	556.3	1.3	0.2	10.3	1.9		4.9	0.0	-0.3
Saskatchewan	479.2	-5.6	-1.2	-4.7	-1.0		5.3	0.2	0.0
Alberta	1,613.0	8.5	0.5	41.3	2.6		4.8	-0.1	-0.6
B.C.	1,972.5	8.4	0.4	44.3	2.3		7.1	0.1	-0.7









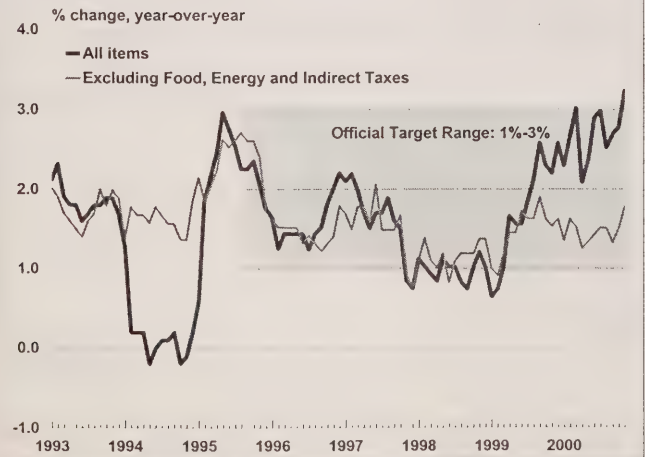
*Inflation rises above 3% in November...*

- The annual rate of CPI inflation rose to 3.2% in November, the highest level in nine years. Higher energy prices have pushed up costs for transportation and shelter, and account for just under half of the overall rise in the general price level.
- Lower prices for computer equipment and supplies, child care and video equipment moderated the rise in inflation.

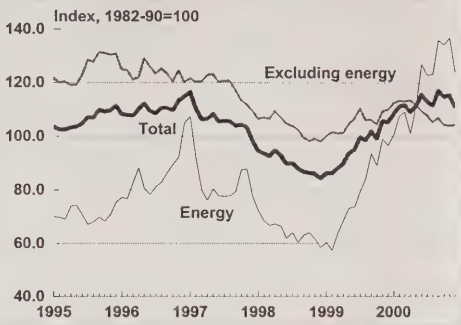
*...but the "core" rate remains in the bottom half of the official target range*

- Excluding energy, food and indirect taxes, the "core" rate of inflation edged up to 1.8% in November, remaining within the bottom half of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices were up 5.7% in December compared to a year ago. Prices for Energy commodities surged 28.5%, while non-energy commodities prices decreased 5.1%.

Consumer Price Index



Commodity Prices (\$U.S. basis)



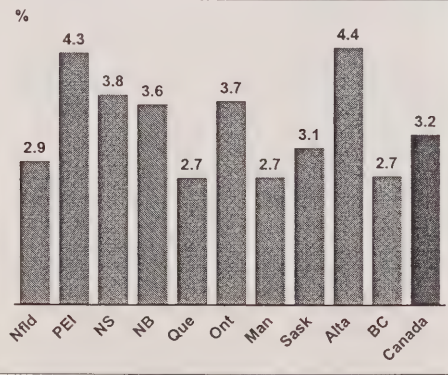
Consumer Prices

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	115.0	0.3	3.2
Food	112.9	0.8	2.1
Shelter	111.2	0.5	5.0
Household operations	110.7	0.0	1.1
Clothing & Footwear	105.4	-2.0	0.0
Transportation	134.0	1.9	5.3
Health & Personal Care	112.9	0.1	2.2
Recreation, Educ. & Reading	122.4	-1.6	1.7
Alcohol & Tobacco	98.6	0.5	3.7
Excl. Food/Energy/Indirect Taxes	114.4	0.1	1.8
Energy	136.6	1.5	18.0

Commodity Prices (December)

Index, 1982-90=100	111.3	-3.6	5.7
Excluding Energy	104.4	0.3	-5.1
Energy	124.1	-9.3	28.5

Provincial CPI Inflation -- November 2000







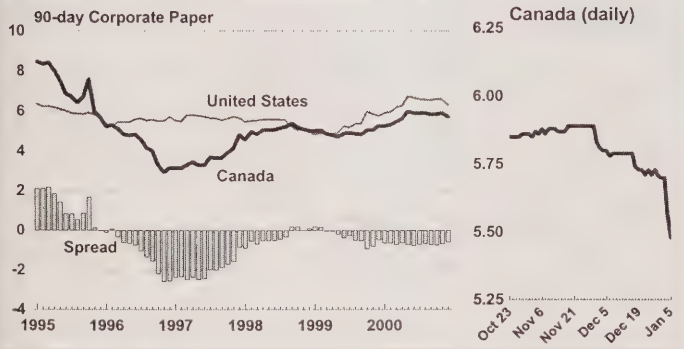
Short term interest rates fall as U.S. rates drop...

- Market-determined short-term interest rates fell throughout December, pushed down by weak equity markets and expectations of a cut in U.S. interest rates.
- Even though the Bank of Canada did not immediately follow suit, the 50-basis point rate cut in the U.S. Federal Reserve's federal funds rate on January 3 dropped Canadian money market rates to their lowest level since April.

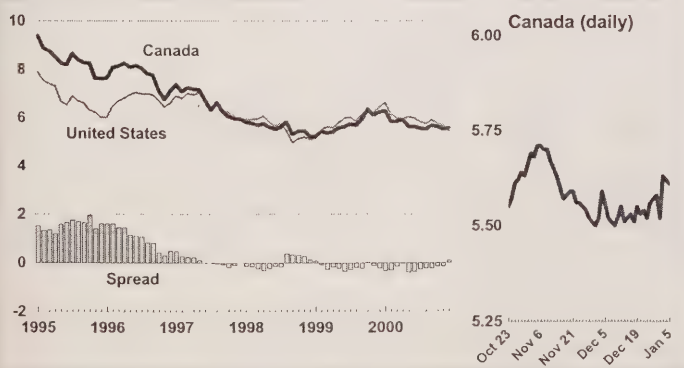
...but long-term yields rise

- After falling through November, bond yields stabilized in December before jumping up near the end of the month in anticipation of the U.S. Fed's move. Long-term rates rose faster in Canada, raising domestic rates above their U.S. counterparts for the first time in over a year.
- Mortgage rates decreased for both one and five year terms in December, reflecting previous declines in long-term interest rates.

Short-term Interest Rates



Long-term Bond Yields



Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
July 2000	5.88	-0.71	5.55	-0.27
August	5.90	-0.67	5.51	-0.23
Sept	5.83	-0.72	5.67	-0.23
Oct	5.85	-0.75	5.61	-0.14
Nov	5.89	-0.68	5.51	-0.15
Dec	5.71	-0.60	5.56	0.11
Jan 3	5.70	-0.42	5.63	0.14

A positive spread indicates that Canadian rates are above their U.S. counterparts.

Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
July 2000	6.00	7.50	7.90	8.25
August	6.00	7.50	7.90	8.25
Sept	6.00	7.50	7.90	8.25
Oct	6.00	7.50	7.90	8.25
Nov	6.00	7.50	7.90	8.25
Dec	6.00	7.50	7.70	7.95
Jan 3	6.00	7.50	7.70	7.95



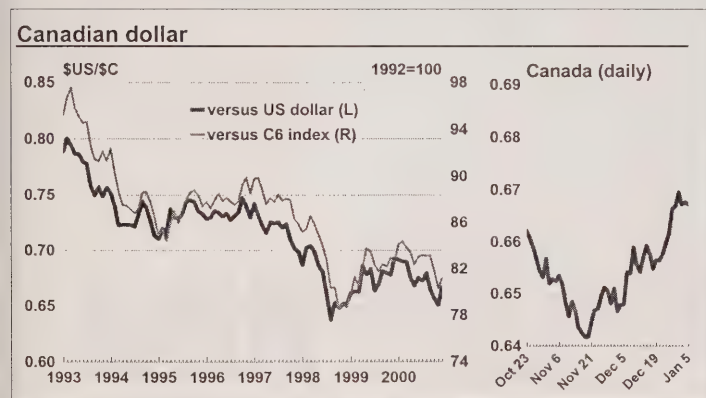


### The dollar gains strength ...

- The Canadian dollar appreciated in December, Indications of continuing strong growth at home but weaker conditions in the U.S. gave rise to expectations that the Bank of Canada would not lower domestic rates as quickly as U.S. rates. The loonie ended the month up a cent and a half from November's close, and continued to rise early in January, closing just under US ¢67.0 on January 2.

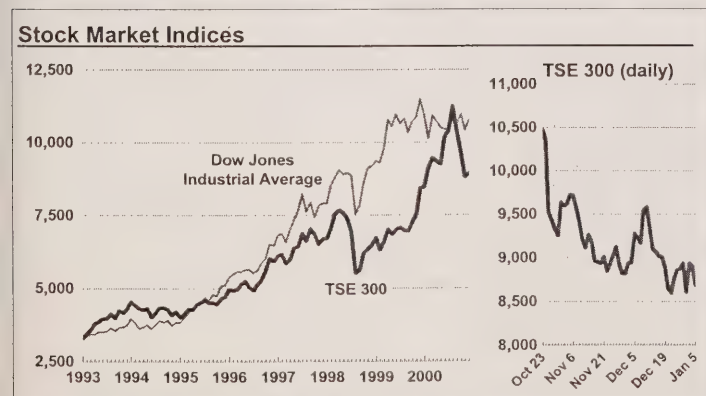
### ...but stock prices are volatile

- Positive economic news propelled the TSE 300 higher at the beginning of December, but increasing concerns over a sharper-than-expected U.S. slowdown and lower corporate profits contributed to a downward slide later in the month. Still, the TSE 300 index closed the month up 1.3%, and 6.2% overall in 2000 despite a major correction late in the year.
- Although expectations of lower interest rates provided a lift to the U.S. S&P 500 and Dow Jones indexes in December, both posted losses on the year.



### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
July 2000	0.6725	83.17	1.410	73.23
August	0.6796	83.13	1.459	72.86
Sept	0.6651	83.16	1.513	71.88
Oct	0.6568	81.87	1.517	71.70
Nov	0.6510	80.34	1.485	70.75
Dec	0.6669	81.19	1.433	73.64
Jan 5	0.6672			



### Key Stock Market Indexes

	December Close	% change from last month	% change from last year
TSE 300	8,934	1.3	6.2
Oil & Gas	8,576	13.9	46.3
Metals & Minerals	3,747	9.3	-16.3
Utilities	15,963	4.8	27.1
Paper & Forest	4,828	6.4	-7.8
Merchandising	5,522	-0.2	8.0
Financial Services	10,957	11.3	47.9
Gold	4,341	6.4	-11.0
Price-Earnings Ratio*	23.0	-1.9	-17.0
S&P 500	1,320	0.4	-10.1
Dow Jones	10,787	3.6	-6.2

\*columns 2 & 3 reflect change in levels





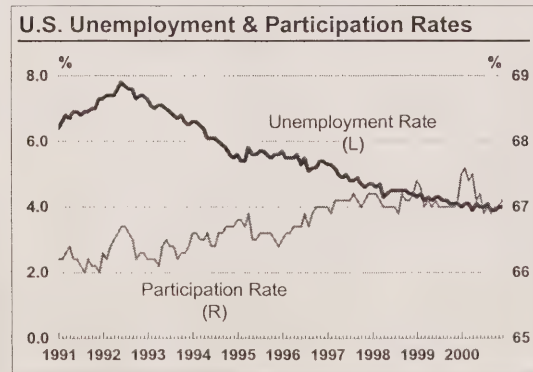
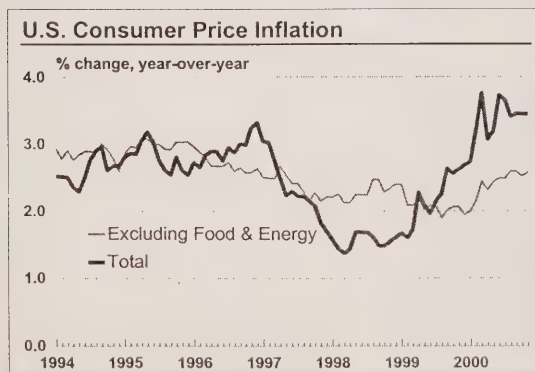
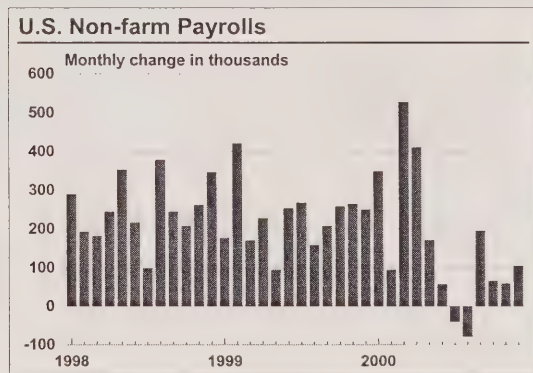
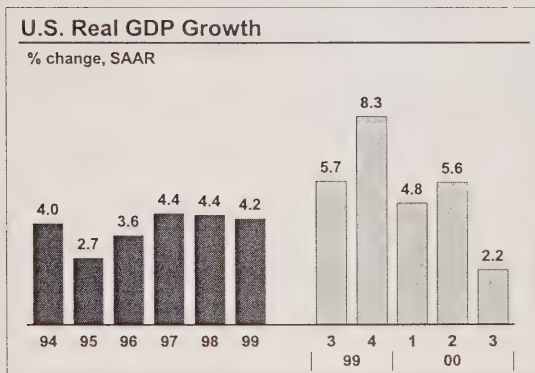


### Signs of a cooling U.S. economy...

- Final estimates show that the U.S. economy expanded at an annual pace of 2.2% in the third quarter of 2000, down from 5.6% in the second quarter. Declining government spending, inventory investment and residential investment contributed to the slower output growth.
- U.S. employment increased by 105,000 in December, led by a sizeable gain in the Service-producing industries. Lower employment in Manufacturing and Construction held back overall job growth. The unemployment rate was unchanged at 4.0 %.
- U.S. consumer prices were up 3.4% in November on a year-over-year basis, but only 2.6% excluding food and energy prices. Compared to November 1999, producer prices were up 3.7%.

### ...prompt a cut in interest rates

- On January 3, the Federal Reserve surprised markets with a 50 basis point drop in the key federal funds rate, the biggest reduction since July 1992. This move was prompted by growing indications of a marked slowdown in the U.S. economy, including weakness in the manufacturing sector and retail sales. The rate cut was announced four weeks ahead of the next scheduled meeting on January 30-31, where analysts widely predict a further interest rate cut will be announced.





**CANADA**

Consumer Price Index – December .....	January 18
International Trade – November .....	January 19
Survey of Manufacturing – November .....	January 22
GDP at factor cost – November .....	January 31
Business Conditions Survey – January .....	February 1
Labour Force Survey – January .....	February 9
Private and Public Investment Intentions – 2001 .....	February 21
Financial Statistics For Enterprises – 4th Quarter 2000 .....	February 27
National Economic & Financial Accounts – 4th Quarter 2000 .....	February 28
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**UNITED STATES**

Consumer Price Index – December .....	January 17
International Trade – November .....	January 19
Federal Open Market Committee meeting .....	January 30, 31
GDP – 4th Quarter 2000, Advance estimate .....	January 31
Employment Situation – January .....	February 2

Note: the January MEI uses data available as of January 5, 2001



# MONTHLY ECONOMIC INDICATORS

## February 2001

### HIGHLIGHTS

Output pauses in November, held back by slowing North American demand for autos.

Employment is flat in January, but the unemployment rate rises to 6.9% as more people enter the labour market.

The U.S. outlook weakens further, prompting authorities to cut interest rates by 100 basis points.

The Bank of Canada lowers its key rate by 25 basis points on January 23, citing the impact of slower U.S. growth on the Canadian economy.

Lower rates contribute to a modest pickup in stock prices in January.

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	797.0	0.1	3.7	Nov
Goods	260.6	-0.0	3.3	Nov
Services	536.4	0.1	4.0	Nov
Composite Index	166.6	-0.4	7.0	Dec
Employment (000's)	15,067	0.0	1.9	Jan
Full-time	12,339	-0.2	1.8	Jan
Part-time	2,728	0.7	2.0	Jan
Unemployment* (%)	6.9	6.8	6.8	Jan
Youth*	12.1	12.5	12.5	Jan
Adult*	5.8	5.7	5.7	Jan
CPI inflation*	3.2	3.2	2.6	Dec
Retail Sales (\$M)	23,389	0.4	6.1	Nov
Housing Starts (000's)	174.1	20.1	15.8	Jan
Trade Balance* (\$M)	4,490	4,850	3,476	Nov
Exports	35,546	0.8	12.2	Nov
Imports	31,056	2.2	10.1	Nov
M&E	10,664	2.7	14.6	Nov
3-mth Corp. paper* (%)	5.28	5.71	5.25	Feb 7
Long bond yield* (%)	5.67	5.56	6.27	Feb 7
Canadian dollar* (US¢)	66.21	66.69	69.18	Feb 9

\*Data in levels only – % change not reported.

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).



Industry Industrie  
Canada Canada

Canada





# **MONTHLY ECONOMIC INDICATORS**

## **February 2001**

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This report uses data available as of February 9, 2001. It has been prepared by Éric Chalifoux, Joe Macaluso, Arif Mahmud and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).





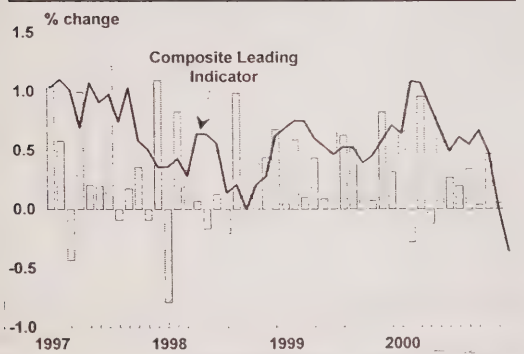
### Output is little changed in November...

- Following a 0.5% advance the previous month, real GDP at factor cost edged up 0.1% in November. Signalling continued weakness, the composite leading indicator fell in December for the first time since 1995.

### ... as weaker auto sales dampen activity in several industries

- Output in the Goods sector was flat in November. Slow North American demand for autos held back Manufacturing activity, which was also affected by a drop in production of communications equipment. Continued growth in housing demand and an increase in engineering construction spurred gains in Construction, while increased production of mineral fuels contributed to higher output in the Mining industries.
- Activity in the Services Sector edged up 0.1% in November, as telecommunications carriers and postal and courier industries boosted output in Communications. Lower auto sales and slower growth in the computer industry fuelled a drop in Wholesale Trade, while falling stock markets led to a decline in Finance & Insurance.

Real GDP at Factor Cost



Real GDP at Factor Cost (1992 dollars)

November 2000	\$ millions	monthly change	% Change since last	
			month	year
Total Economy	797,009	426	0.1	3.7
Business sector	667,199	294	0.0	4.2
Goods	260,581	-103	-0.0	3.3
Agriculture	12,947	70	0.5	-4.2
Fishing & Trapping	649	-12	-1.8	-13.4
Logging & Forestry	4,493	-139	-3.0	-6.2
Mining*	27,502	162	0.6	2.3
Manufacturing	145,494	-791	-0.5	4.8
Construction	42,960	312	0.7	1.6
Other Utilities	26,536	295	1.1	5.8
Services	536,428	529	0.1	4.0
Transport & Storage	37,038	132	0.4	3.6
Communications	31,133	310	1.0	9.3
Wholesale Trade	50,836	-468	-0.9	2.3
Retail Trade	51,284	-21	-0.0	5.9
Finance & Insurance	43,856	-314	-0.7	4.8
Real Estate & Ins. Agent	83,592	201	0.2	2.8
Business services	51,506	223	0.4	10.0
Government services	47,916	208	0.4	3.3
Education	40,915	-75	-0.2	0.4
Health & Social Services	46,518	15	0.0	0.4
Accommodation & Food	21,608	200	0.9	4.8
Other	30,226	118	0.4	1.9

\*Includes Quarrying and Crude Petroleum & Natural Gas

Real GDP by major sector





# THE ECONOMY

## Consumer Spending and Attitudes



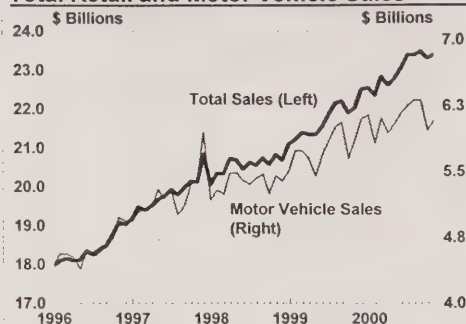
### Consumer spending is strong in the third quarter...

- Consumer spending posted its largest increase in more than two years in the third quarter.
- While spending was up across all major categories, purchases of consumer durables jumped 16.3% (annualized). Motor vehicle sales were boosted by generous manufacturers' incentives.
- Disposable income rose at a slower rate than personal income (1.4%), as transfers to governments outpaced income growth in the third quarter. After adjusting for inflation, personal disposable income fell 1.5%, the first quarterly drop in four years.

### ...but weakens in the fourth quarter

- Despite strong employment growth, lower confidence affected consumer demand in the fourth quarter. Retail sales recovered somewhat in November, but have been essentially flat since July. Available data for December point to an increase in motor vehicle sales, however.

### Total Retail and Motor Vehicle Sales



### Retail Sales and Consumer Credit

November 2000

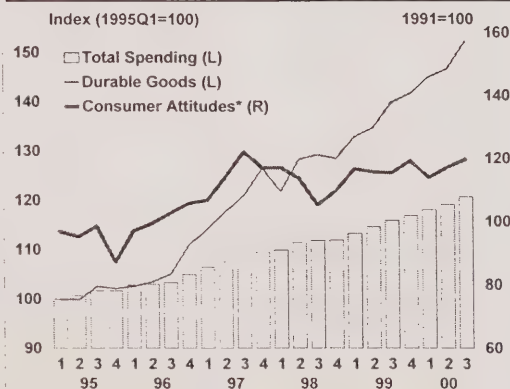
	\$ millions	% Change since	
		last month	last year
Total Retail Sales (S.A.)	23,389	0.4	6.1
Food	5,165	0.1	4.4
Drug Stores	1,158	0.5	2.4
Clothing	1,279	-0.1	6.7
Furniture	1,291	0.3	9.8
Automotive	9,394	1.6	7.0
General Merch. Stores	2,604	-1.5	6.5
All other Stores	2,501	-0.9	5.2
Total ex. motor vehicles	17,307	-0.1	7.0
Consumer Credit (unadjusted)	189	0.4	8.8

### Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)

	1998	1999	2000 Q2	2000 Q3
Real Consumption (92\$)	487,866	504,763	522,044	529,036
% change	2.9	3.5	3.6	5.5
Durable Goods	66,487	71,859	76,776	79,724
% change	5.9	8.1	4.8	16.3
Semi-Durable Goods	45,751	47,103	48,976	50,000
% change	4.4	3.0	3.2	8.6
Non-Durable Goods	120,795	123,344	125,572	126,084
% change	1.7	2.1	1.9	1.6
Services	254,833	262,457	270,720	273,228
% change	2.5	3.0	4.1	3.8
Disposable Income	567,960	590,608	622,172	624,300
% change	3.9	4.0	5.2	1.4
Saving Rate (%)	4.5	3.7	3.9	2.3
Debt-to-Income Ratio (%)	94.9	96.1	95.4	96.3

### Real Consumer Spending and Attitudes



\*Conference Board of Canada





# THE ECONOMY

## Business Investment in Plant and Equipment



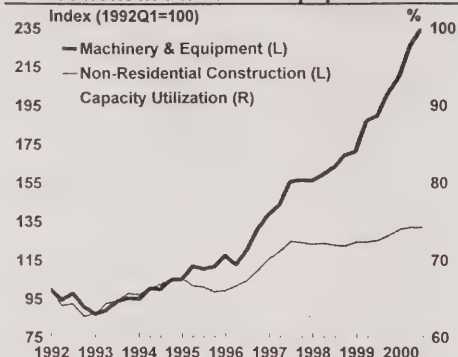
### Business investment remains strong in the third quarter...

- Business investment in M&E remains very strong, rising 16.0% (annual rate) in the third quarter. Purchase of telecommunications equipment led the third quarter advance.
- However, Non-Residential Construction activity edged lower. Non-residential building was flat, while exploration activity in the oil and gas sector was constrained by poor weather and shortages of equipment and personnel.

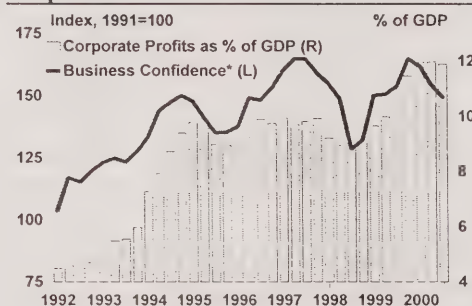
### ...and should rise further

- Business confidence has fallen from its peak late in 1999, despite strong growth and an improving profit picture over the past two years.
- Most indicators suggest that investment rose further in the fourth quarter. Total imports of M&E were up sharply in November, more than offsetting a fall in October. This rise was supported by higher purchases of telecommunications equipment and aircraft. Increased activity in the oil patch has also provided a boost to Non-Residential Construction.

### Investment in Plant and Equipment



### Corporate Profits & Business Confidence



\*Conference Board of Canada

### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1998	1999	1999 Q4	2000 Q1	2000 Q2	2000 Q3
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	65,357	75,557	81,248	84,616	91,036	94,472
% change	9.0	15.6	27.2	17.6	34.0	16.0
Non-residential Construction (1992\$)	39,502	40,288	41,040	42,056	42,348	42,296
% change	1.7	2.0	8.6	10.3	2.8	-0.5
Capacity Utilization (%; Non-farm goods)	82.8	84.6	86.0	86.8	87.0	86.9
Capacity Utilization (Mfg. sector)	83.8	85.7	86.6	87.1	87.1	87.5
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	142,296.0	174,317.0	189,792.0	204,916.0	209,996.0	210,212.0
% change	-13.3	22.5	19.0	35.9	10.3	0.4
Profits - Non-financial industries	94,891.0	123,372.0	135,332.0	139,896.0	145,836.0	148,632.0
% change	-13.6	30.0	18.4	14.2	18.1	7.9
Profits - Financial industries	47,406.0	50,945.0	54,460.0	65,016.0	64,160.0	61,580.0
% change	-12.5	7.5	20.5	103.1	-5.2	-15.1
Business Credit	693,247.3	729,422.8	746,826.3	758,165.0	775,813.7	785,092.3
% change	10.7	5.2	6.4	6.2	9.6	4.9





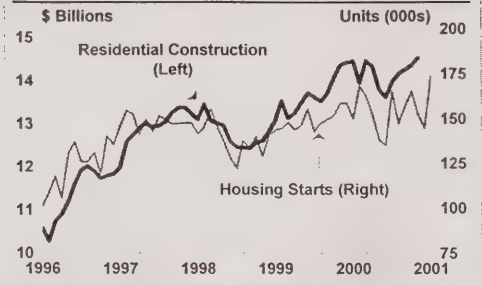
### *The housing sector recovers in the third quarter...*

- Business investment in Residential Construction rose 6.0% in the third quarter, partly offsetting a decline in the previous period.
- A recovery from a Spring strike by cement truck drivers in Toronto contributed greatly to this advance, leading to higher investment in new housing. Sales of existing homes were also up on the quarter, along with an increase in the pace of renovation activity.

### *...and likely advances further in the fourth quarter*

- Most housing market indicators point to continued growth. Residential construction was up 1.1% in November, the fifth straight monthly increase. Housing starts declined 0.3% overall in the fourth quarter, but surged 20% in January to an annualized 174,100 units, the highest level since 1994.
- Recent cuts in mortgage rates may support future housing market demand.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
Residential Construction (1)	14,526	1.1%	1.1%
(\$92M, factor cost basis)			
Building Permits, \$M (2)	1,669	-4.2%	-9.3%
Sales of Existing Homes (2)	18,816	-1,597	
(# of units)			
Housing Starts, # of units (3)	174,100	29,100	23,800
Newfoundland	800	-300	-400
Prince Edward Island	500	-100	0
Nova Scotia	4,000	700	-700
New Brunswick	3,000	1,800	-1,700
Quebec	20,700	2,900	2,100
Ontario	79,600	13,700	17,100
Manitoba	1,600	100	300
Saskatchewan	1,700	900	-900
Alberta	24,200	1,600	3,900
British Columbia	18,900	8,000	8,600

1 - November data; 2 - December data; 3 - January data

Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

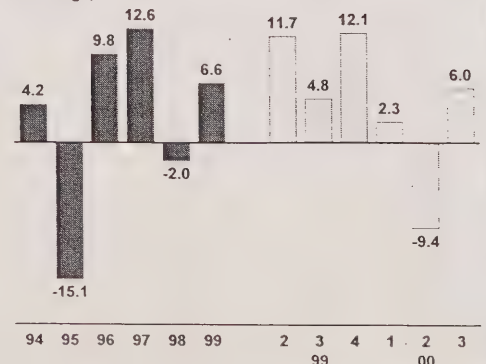
### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1998	1999	2000 Q2	2000 Q3
Residential Construction	41,523	44,259	44,912	45,564
% change	-2.0	6.6	-9.3	5.9
Construction by Business sector	41,277	43,983	44,640	45,292
% change	-2.0	6.6	-9.4	6.0
New Housing	20,701	22,258	21,968	22,268
% change	-3.5	7.5	-17.8	5.6
Alterations & Improvements	13,640	14,399	15,380	15,644
% change	2.4	5.6	2.6	7.0
Ownership & Transfer Costs	7,182	7,259	7,564	7,652
% change	-5.7	1.1	-5.5	4.7

### Growth in Real Residential Construction

% change, SAAR







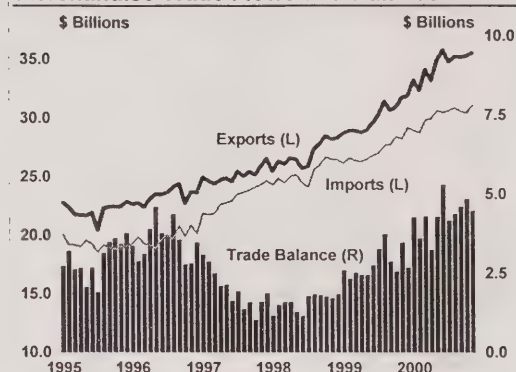
### Imports outpace exports in November...

- Imports rose 2.2% in November, with sharp increases for Energy Products, Industrial Goods & Materials and M&E. Lower imports of Automotive Products reflect the general slowdown in this sector.
- Exports rose 0.8% in November. Exports of Energy Products were boosted by electricity sales to California and higher sales of natural gas and crude petroleum. Falling exports of telecommunications equipment lowered exports of M&E.

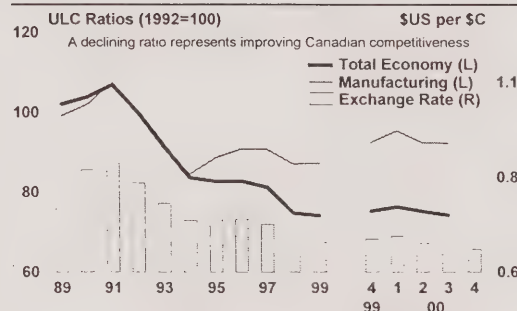
### ...leading to a lower trade surplus

- With imports rising faster than exports, Canada's trade surplus declined to \$4.5 billion in November.
- The cumulative trade surplus over the first eleven months of the year was \$47.5 billion, up \$16.5 billion on a year-to-date basis.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

### Merchandise Trade

November 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)		% Change	
	October 2000	November 2000	1999 Jan-Nov.	2000 Jan-Nov.	Oct. to Nov. 2000	Oct. to Nov. 2000	Nov. 1999 to Nov. 2000	
<b>Exports</b>	35,247	35,546	328,748	379,358	299	0.8	12.2	
to United States	30,556	31,064	282,152	326,721	508	1.7	14.7	
<b>Imports</b>	30,397	31,056	297,655	331,809	659	2.2	10.1	
from United States	22,408	22,525	227,422	244,428	117	0.5	6.4	
<b>Trade Balance</b>	4,850	4,490	31,093	47,549	-360			
with United States	8,148	8,539	54,730	82,293	391			
<b>Exports by Commodity</b>								
Agriculture/Fishing Products	2,263	2,290	23,336	25,171	27	1.2	6.2	
Energy Products	4,168	4,628	26,857	45,352	460	11.0	57.8	
Forestry Products	3,430	3,455	35,654	38,196	25	0.7	3.4	
Industrial Goods & Materials	5,503	5,493	52,314	59,140	-10	-0.2	8.5	
Machinery & Equipment	9,149	8,932	78,416	95,495	-217	-2.4	14.4	
Automotive Products	8,217	8,215	87,196	88,952	-2	0.0	1.5	
Other Consumer Goods	1,265	1,292	12,323	13,365	27	2.1	15.8	
<b>Imports by Commodity</b>								
Agriculture/Fishing Products	1,607	1,606	16,149	16,925	-1	-0.1	10.2	
Energy Products	1,393	1,709	9,468	16,148	316	22.7	43.3	
Forestry Products	253	263	2,498	2,799	10	4.0	10.5	
Industrial Goods & Materials	5,777	6,100	56,418	64,485	323	5.6	12.2	
Machinery & Equipment	10,388	10,664	98,775	112,012	276	2.7	14.6	
Automotive Products	6,427	6,156	69,323	70,987	-271	-4.2	-3.7	
Other Consumer Goods	3,486	3,511	33,668	36,572	25	0.7	11.5	





# LABOUR MARKET TRENDS

## Employment and Unemployment



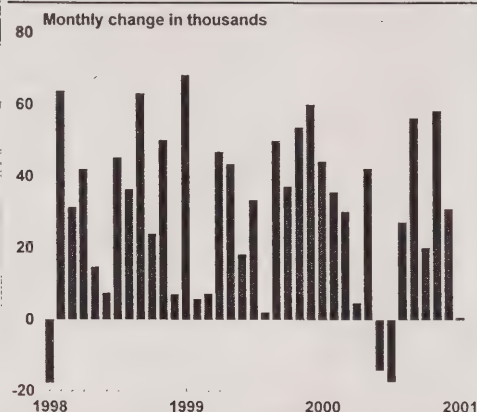
### Employment growth pauses in January...

- Employment was flat in January, with the loss of 20,000 full-time jobs offset by an equivalent gain in part-time work. Employment was little changed across the three major demographic groups (youth, adult men and adult women).
- January's pause follows strong job growth over the last five months of 2000. Employment rose 319,000 overall in 2000, building on a net increase of 427,000 jobs in 1999.

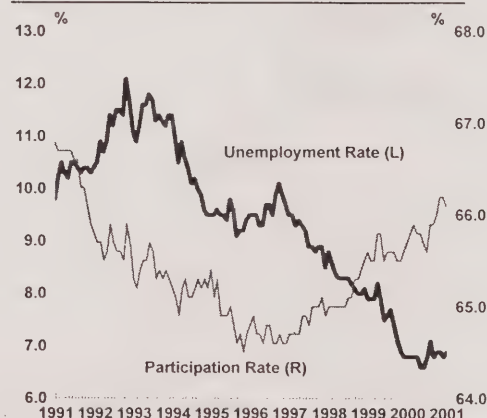
### ...and the unemployment rate edges up to 6.9%

- The labour force continued to rise despite flat employment, increasing the national unemployment rate 0.1 percentage points to 6.9%. Still, this remains near last May's 24-year low of 6.6%.
- An increase in the number of adult males seeking work raised the adult unemployment rate 0.1 points to 5.8%. The unemployment rate for youth dipped 0.4 points to 12.1%, due solely to a fall in the labour force.

### Employment



### Unemployment Rate



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2000 January	2000 December	2001 January	last month	last year	year-to- date	last month	last year
Employment	14,791.8	15,066.7	15,067.4	0.7	275.6	0.7	0.0	1.9
Full-time	12,117.6	12,358.7	12,339.2	-19.5	221.6	-19.5	-0.2	1.8
Part-time	2,674.2	2,708.0	2,728.3	20.3	54.1	20.3	0.7	2.0
Youth 15-24	2,265.8	2,344.4	2,345.3	0.9	79.5	0.9	0.0	3.5
Adult 25+	12,526.0	12,722.3	12,722.2	-0.1	196.2	-0.1	-0.0	1.6
Self-employed	2,531.2	2,363.3	2,314.9	-48.4	-216.3	-48.4	-2.0	-8.5
Unemployment	1,077.5	1,103.7	1,113.2	9.5	35.7	9.5	0.9	3.3
Unemployment Rate	6.8	6.8	6.9	0.1	0.1	0.1		
Youth 15-24	12.5	12.5	12.1	-0.4	-0.4	-0.4		
Adult 25+	5.7	5.7	5.8	0.1	0.1	0.1		
Labour Force	15,869.3	16,170.4	16,180.6	10.2	311.3	10.2	0.1	2.0
Participation Rate	65.7	66.2	66.1	-0.1	0.4	-0.1		
Employment Rate	61.3	61.7	61.6	-0.1	0.3	-0.1		



# LABOUR MARKET TRENDS

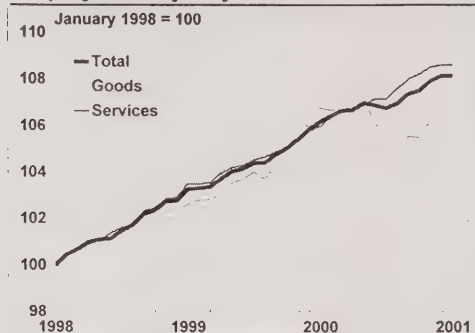
## Industry Overview



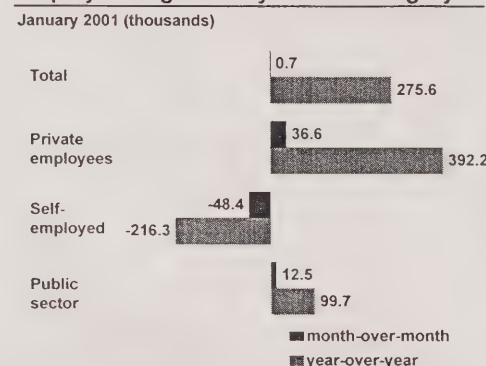
### Both Goods and Services are flat in January...

- Employment in the Goods sector was little changed in January, as declines in Manufacturing and Agriculture offset modest gains elsewhere. This represents the first drop in four months for the Manufacturing Sector, but Agricultural employment has fallen steadily over the past year.
- Services employment was also flat in January. Trade (Wholesale & Retail) posted a sharp gain, building on strong growth in 2000. Employment in Health Care & Social Assistance also advanced. These gains were offset by losses in many industries, led by Management, Administrative & Other Support Services.

### Employment by major sector



### Employment growth by worker category



### ...as self-employment continues to drop

- Paid employment in the private sector and public sector both increased in January.
- However, self-employment was down 48,000 jobs, bringing year-over-year losses to 216,000.

### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2000 January	2000 December	2001 January	last month	last year	year-to-date	last month	last year
Goods-producing	3,889.2	3,891.8	3,891.9	0.1	2.7	0.1	0.0	0.1
Agriculture	401.1	347.5	345.7	-1.8	-55.4	-1.8	-0.5	-13.8
Natural Resources*	275.5	277.7	282.9	5.2	7.4	5.2	1.9	2.7
Utilities	116.0	117.7	122.4	4.7	6.4	4.7	4.0	5.5
Construction	815.0	820.6	821.6	1.0	6.6	1.0	0.1	0.8
Manufacturing	2,281.7	2,328.4	2,319.3	-9.1	37.6	-9.1	-0.4	1.6
Services-producing	10,902.6	11,174.9	11,175.6	0.7	273.0	0.7	0.0	2.5
Trade	2,263.1	2,354.4	2,375.0	20.6	111.9	20.6	0.9	4.9
Transportation	776.6	787.8	788.1	0.3	11.5	0.3	0.0	1.5
FIRE*	859.6	881.9	869.6	-12.3	10.0	-12.3	-1.4	1.2
Professional/Scientific	927.1	988.6	994.1	5.5	67.0	5.5	0.6	7.2
Management/Administrative	512.5	559.2	530.8	-28.4	18.3	-28.4	-5.1	3.6
Educational Services	998.5	952.1	959.9	7.8	-38.6	7.8	0.8	-3.9
Health Care/Social Assistance	1,511.0	1,523.7	1,544.4	20.7	33.4	20.7	1.4	2.2
Information/Culture/Recreation	628.4	700.6	700.0	-0.6	71.6	-0.6	-0.1	11.4
Accommodation & Food	951.7	965.7	968.0	2.3	16.3	2.3	0.2	1.7
Other Services	701.3	698.4	685.8	-12.6	-15.5	-12.6	-1.8	-2.2
Public Administration	772.8	762.4	760.0	-2.4	-12.8	-2.4	-0.3	-1.7

\*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.



# LABOUR MARKET TRENDS

## Provincial Overview



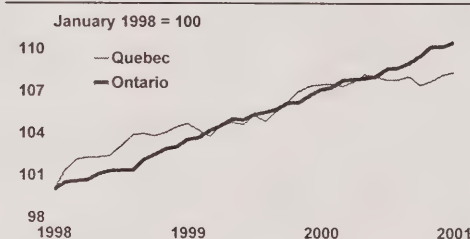
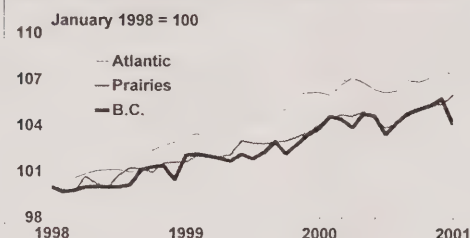
### Job gains in most provinces, led by Ontario...

- A solid increase in employment dropped Ontario's unemployment rate to 5.7% in January.
- A notable gain was also registered in Newfoundland, lowering its unemployment rate by 1.4 points to 16.3%. Manitoba also posted an increase, dropping its unemployment rate to 4.6%, lowest among all provinces.
- Employment was also higher in New Brunswick, Quebec, Saskatchewan and Alberta. However, in these provinces the labour force also increased, leaving the unemployment rate unchanged in New Brunswick and higher elsewhere.

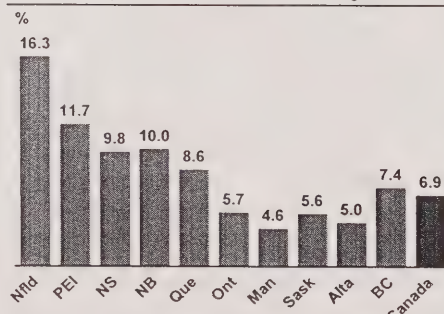
### ...are offset by losses in British Columbia and Nova Scotia

- Employment fell 30,000 in British Columbia, offsetting most of the gains posted over the past five months and pushing its unemployment rate up to 7.4%.
- In Nova Scotia, job losses pushed up the unemployment rate to 9.8%. Employment edged lower in P.E.I., but this small loss was accompanied by a bigger drop in the labour force and hence lower unemployment.

### Regional employment patterns



### Unemployment Rates -- January 2001



### Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels	Change since last month		Change since last year			Levels	Change since last month	last year
	2001 January	(000's)	%	(000's)	%				
Canada	15,067.4	0.7	0.0	275.6	1.9		6.9	0.1	0.1
Newfoundland	206.6	1.9	0.9	2.5	1.2		16.3	-1.4	-0.7
P.E.I.	65.1	-0.2	-0.3	0.7	1.1		11.7	-0.1	-0.8
Nova Scotia	416.4	-9.2	-2.2	-1.1	-0.3		9.8	0.9	0.1
New Brunswick	341.2	2.9	0.9	8.8	2.6		10.0	0.0	0.6
Quebec	3,457.3	5.9	0.2	28.6	0.8		8.6	0.6	0.4
Ontario	5,976.4	16.0	0.3	181.1	3.1		5.7	-0.3	0.0
Manitoba	558.6	2.3	0.4	8.7	1.6		4.6	-0.3	-0.6
Saskatchewan	483.4	4.2	0.9	-4.8	-1.0		5.6	0.3	0.5
Alberta	1,619.9	6.9	0.4	44.5	2.8		5.0	0.2	-0.2
B.C.	1,942.5	-30.0	-1.5	6.6	0.3		7.4	0.3	0.1





# PRICES and FINANCIAL MARKETS

## Consumer and Commodity Prices



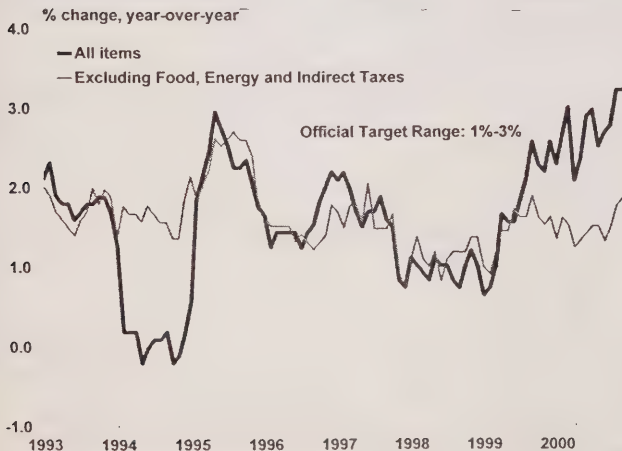
### Inflation is stable in December...

- The annual rate of CPI inflation was unchanged in December at 3.2%. Higher energy prices accounted for more than one-third of the year-over-year rise, but costs were also higher for mortgage interest, fresh vegetables, meat (excluding poultry), food purchased from restaurants and rent.
- Lower prices for air transportation, computer equipment & supplies and child care put downward pressure on the index.

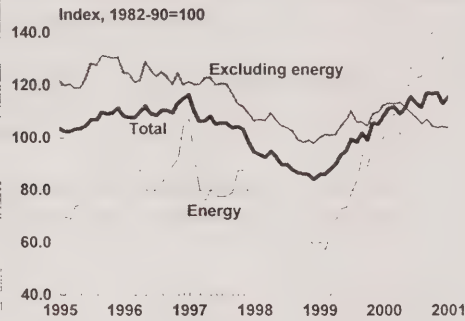
### ...and the "core" rate remains in the bottom half of the official target range

- Although inflation is at its highest point since 1991, the year when the GST was introduced, underlying cost pressures remain modest. Excluding energy, food and indirect taxes, the "core" rate of inflation edged up to 1.9% in December, near the mid-point of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices were up 6.7% in January compared to a year ago. Prices for Energy commodities surged 37.2%, while non-energy commodities prices decreased 7.7%.

### Consumer Price Index



### Commodity Prices (\$U.S. basis)



### Consumer Prices

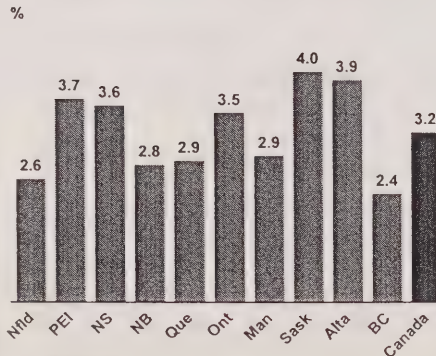
December 2000

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	115.1	0.1	3.2
Food	114.5	1.4	3.2
Shelter	111.7	0.4	5.0
Household operations	110.5	-0.2	1.2
Clothing & Footwear	105.2	-0.2	1.7
Transportation	132.4	-1.2	3.2
Health & Personal Care	112.8	-0.1	1.8
Recreation, Educ. & Reading	122.0	-0.3	2.2
Alcohol & Tobacco	99.0	0.4	3.2
Excl. Food/Energy/Indirect Taxes	114.4	0.0	1.9
Energy	134.5	-1.5	13.6

### Commodity Prices (January)

Index, 1982-90=100	115.7	2.3	6.7
Excluding Energy	103.8	-0.6	-7.7
Energy	138.0	6.6	37.2

### Provincial CPI Inflation -- December 2000







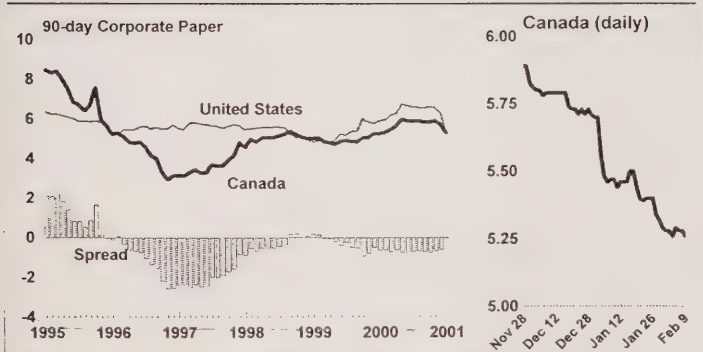
### *The Bank of Canada moves to lower short term interest rates...*

- The Bank of Canada lowered its trend-setting Bank Rate by 25-basis points to 5.75% on January 23, following a 50 point cut in the U.S. federal funds rate earlier in the month. The U.S. subsequently lowered rates an additional 50 points on January 31.
- Given expectations of the Bank's move, market-determined short-term interest rates fell throughout January, dropping to their lowest level in a year. The Prime Rate dropped 25 points and mortgage rates also fell in January.

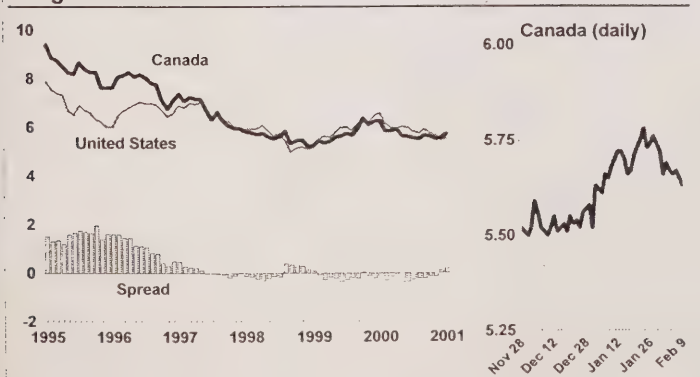
### *...but long-term yields rise*

- Rate cuts by the U.S. Federal Reserve and the Bank of Canada provided some support to equities, lowering the demand for long-term bonds and pushing up yields in January.
- Canadian long-term rates have been above U.S. yields in the past two months. Moreover, the sharp drop in U.S. short-term rates have eliminated the gap between Canadian and U.S. short-term rates, which stood as high as 75 points in Canada's favour in October.

#### Short-term Interest Rates



#### Long-term Bond Yields



#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Aug 2000	5.90	-0.67	5.51	-0.23
Sept	5.83	-0.72	5.67	-0.23
Oct	5.85	-0.75	5.61	-0.14
Nov	5.89	-0.68	5.51	-0.15
Dec	5.71	-0.60	5.56	0.11
Jan 2001	5.29	-0.03	5.72	0.18
Feb 7	5.28	0.02	5.67	0.15

A positive spread indicates that Canadian rates are above their U.S. counterparts.

#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Aug 2000	6.00	7.50	7.90	8.25
Sept	6.00	7.50	7.90	8.25
Oct	6.00	7.50	7.90	8.25
Nov	6.00	7.50	7.90	8.25
Dec	6.00	7.50	7.70	7.95
Jan 2001	5.75	7.25	7.40	7.75
Feb 7	5.75	7.25	7.20	7.75





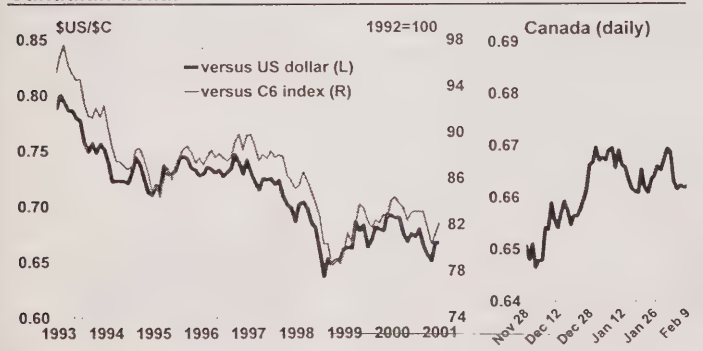
### The dollar falls in early February...

- The Canadian dollar lost some ground early in January, as a number of U.S. economic indicators came in stronger than expected. The loonie strengthened later in the month, as growing evidence of weakness fuelled anticipation of a rate cut in the U.S.
- The Canadian currency lost momentum again at the beginning of February, closing at US66.2¢ on February 9.

### ...as the TSE 300 ends the month higher

- Lower short-term interest rates increased the demand for equities in January. The TSE 300 index closed the month up 4.3%, the second straight monthly increase following a sharp drop late in 2000.
- Lower interest rates also provided a lift to the U.S. S&P 500 and Dow Jones indexes in January. However, both are down on a year-over-year basis, compared to a gain of nearly 10% for the TSE 300.

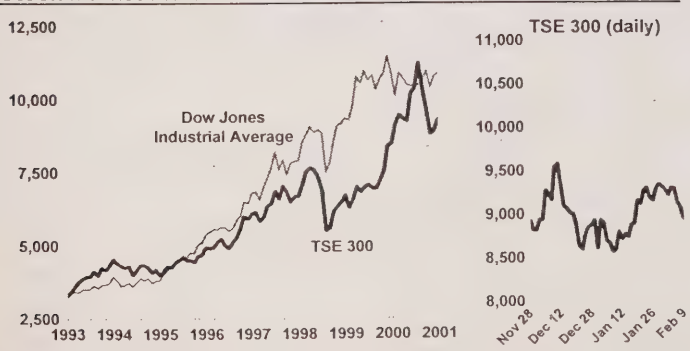
#### Canadian dollar



#### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Aug 2000	0.6796	83.13	1.459	72.86
Sept	0.6651	83.16	1.513	71.88
Oct	0.6568	81.87	1.517	71.70
Nov	0.6510	80.34	1.485	70.75
Dec	0.6669	81.19	1.433	73.64
Jan 2001	0.6672	82.15	1.387	77.67
Feb 9	0.6621			

#### Stock Market Indices



#### Key Stock Market Indexes

	January Close	% change from last month	% change from last year
TSE 300	9,322	4.3	9.9
Oil & Gas	7,982	-6.9	38.0
Metals & Minerals	3,842	2.5	-5.7
Utilities	15,997	0.2	15.8
Paper & Forest	4,540	-6.0	-15.3
Merchandising	5,500	-0.4	18.7
Financial Services	10,856	-0.9	53.3
Gold	4,081	-6.0	-5.8
Price-Earnings Ratio*	23.7	0.6	-10.4
S&P 500	1,366	3.5	-2.0
Dow Jones	10,887	0.9	-0.5

\*columns 2 & 3 reflect change in levels







## U.S. Economic Trends

### *The U.S. economy continues to downshift...*

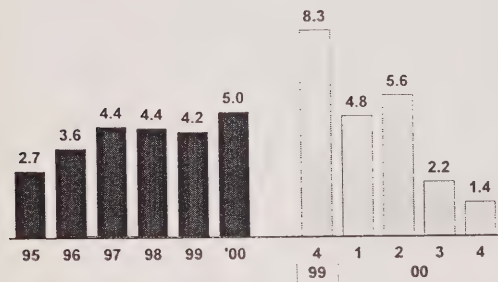
- Advance estimates suggest that U.S. real GDP growth slowed to 1.4% (annual rate) in the fourth quarter of 2000, down from 2.2% in the third quarter. This slower pace reflects declines in business investment – notably for equipment and software – and residential construction. Growth in consumer spending also slowed, with reduced purchases of durable goods.
- U.S. employment rose by 268,000 in January, despite job losses in Manufacturing. Higher participation raised the unemployment rate to 4.2% in January, its highest level since September 1999. Consumer confidence fell to its lowest level in four years in January.
- On a year-over-year basis, U.S. consumer prices were up 3.4% in December, while producer prices were up 3.6%. Inflation excluding food and energy prices was 2.6%.

### *...and the Federal Reserve cuts interest rates again*

- Only four weeks after its last 50 point cut, the Federal Reserve announced an additional 50 basis point reduction in its key federal funds rate on January 31. With Federal Reserve Chairman Greenspan suggesting that growth in the economy is near zero, further interest rate cuts are widely expected.

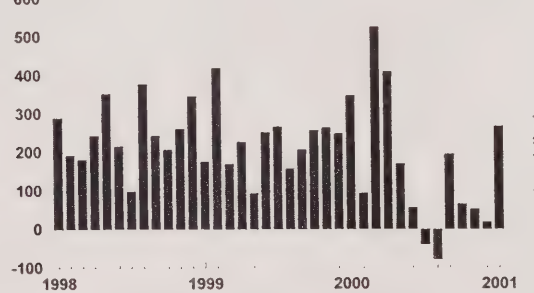
#### U.S. Real GDP Growth

% change, SAAR



#### U.S. Non-farm Payrolls

Monthly change in thousands

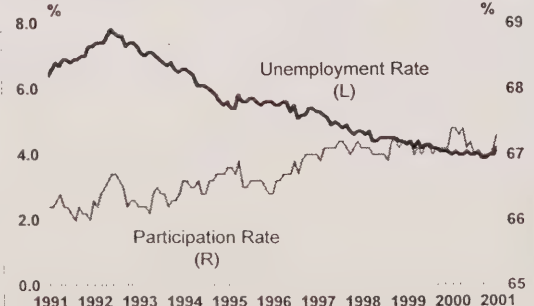


#### U.S. Consumer Price Inflation

% change, year-over-year



#### U.S. Unemployment & Participation Rates





**CANADA**

Consumer Price Index – January .....	February 15
Survey of Manufacturing – December .....	February 19
International Trade – December .....	February 21
Private and Public Investment Intentions – 2001 .....	February 21
Financial Statistics For Enterprises – 4th Quarter 2000 .....	February 27
National Economic & Financial Accounts – 4th Quarter 2000 .....	February 28
Balance of International Payments – 4th Quarter 2000 .....	February 28
GDP at factor cost – December .....	February 28
Capacity Utilization Rates – 4th Quarter 2000 .....	March 9
Labour Force Survey – February .....	March 9
Business Conditions Survey – April .....	May 4

**UNITED STATES**

Consumer Price Index – January .....	February 21
International Trade – December .....	February 21
GDP – 4th Quarter 2000, Preliminary .....	February 28
Employment Situation – February .....	March 9
Federal Open Market Committee meeting .....	March 20






Note: the February MEI uses data available as of February 9, 2001



# MONTHLY ECONOMIC INDICATORS

March 2001

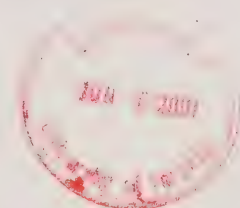
## HIGHLIGHTS

- 
**Output growth slows in the fourth quarter of 2000, as the effects of the U.S. slowdown spill over into Canada.**
- 
**Employment falls in February, but the unemployment rate holds steady at 6.9%.**
- 
**To boost slowing demand, the Bank of Canada lowers its key interest rate 50 basis points in March.**
- 
**The Canadian dollar falls below US\$65 in March, edging closer to its all-time low set in 1998.**
- 
**Higher energy prices boost Canada's trade surplus to a record high in 2000.**

## Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	796.2	0.2	3.3	Dec.
Goods	258.5	-0.2	2.0	Dec.
Services	537.8	0.4	4.0	Dec.
Composite Index	166.3	-0.4	6.1	Jan.
Employment (000's)	15,044	-0.2	1.5	Feb.
Full-time	12,335	-0.0	1.6	Feb.
Part-time	2,709	-0.7	1.2	Feb.
Unemployment* (%)	6.9	6.9	6.8	Feb.
Youth*	12.9	12.1	13.0	Feb.
Adult*	5.8	5.8	5.6	Feb.
CPI inflation*	3.0	3.2	2.3	Jan.
Retail Sales (\$M)	23,662	0.9	5.1	Dec.
Housing Starts (000's)	156.1	-8.6	-7.4	Feb.
Trade Balance* (\$M)	5,848	4,412	2,697	Dec.
Exports	36,849	3.7	15.7	Dec.
Imports	31,001	-0.4	6.3	Dec.
M&E	10,692	0.0	13.8	Dec.
3-mth Corp. paper* (%)	4.87	5.29	5.31	Mar. 7
Long bond yield* (%)	5.61	5.72	5.83	Mar. 7
Canadian dollar* (US¢)	64.63	66.72	68.98	Mar. 9

\*Data in levels only – % change not reported.



The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mra/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mra/engdoc/03.html).



Industry Industrie  
Canada Canada

Canada





# **MONTHLY ECONOMIC INDICATORS**

## **March 2001**

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This report uses data available as of March 9, 2001. It has been prepared by Éric Chalifoux, Joe Macaluso, Arif Mahmud and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).





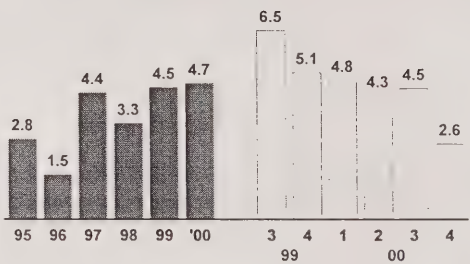
*Output growth slows in the fourth quarter...*

- Real GDP rose 2.6% (annual rate) in the fourth quarter of 2000, slowing significantly from the recent strong pace of growth. Overall growth for 2000 was 4.7%, up slightly from 1999.
- Final domestic demand was flat in the fourth quarter. Lower investment in M&E and housing was offset by increased consumer spending and non-residential construction.
- Real exports of goods and services rose 1.0% in the fourth quarter, the slowest advance in nearly two years. This reflects softening U.S. demand for automotive products and paper.

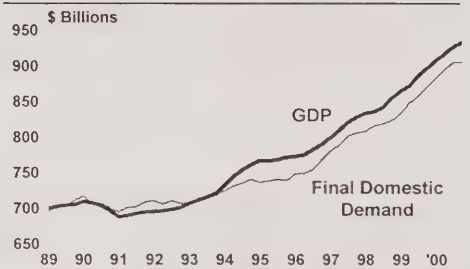
*...but personal income and corporate profits continue to rise*

- Growth in personal income was an annualized 6.3% in the fourth quarter, nearly twice the rate of the previous quarter. Solid gains in labour income, investment income, and government transfers all contributed to the advance. For the year as a whole, incomes were up 6.1%, the biggest increase in ten years.
- The personal saving rate edged up to 3.5% in the fourth quarter. The household debt-to-income ratio fell to 95.1%, down from a near-record 96.2% in the previous quarter.
- Corporate profits increased by 10.4% (annual rate) in the fourth quarter of 2000, resulting in a gain of 23% overall for the year. This is only slightly below the 24% gain registered in 1999.

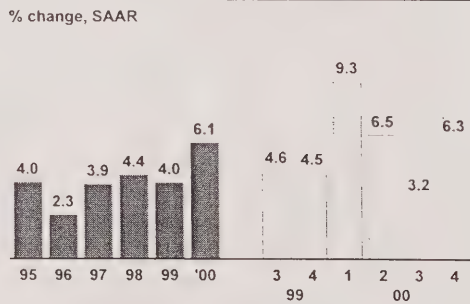
Growth in Real Gross Domestic Product  
% change, SAAR



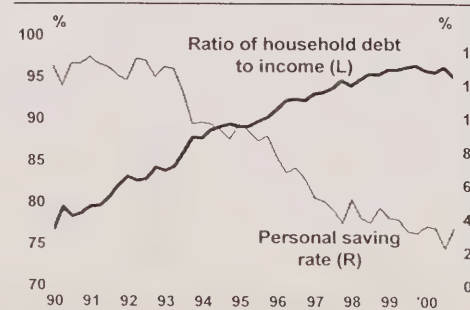
GDP and Final Domestic Demand



Growth in Personal Income



Personal Debt and Saving Rate





# THE ECONOMY

## Real GDP by Industry



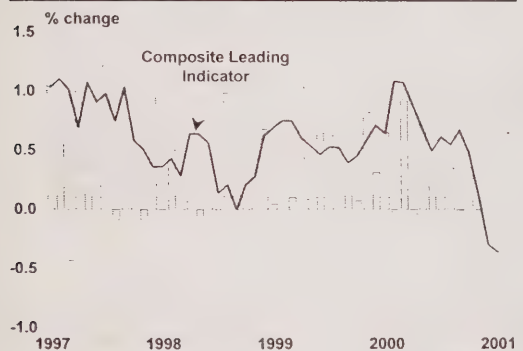
### Output rebounds slightly in December...

- After pausing in November, real GDP at factor cost advanced 0.2% in December. The composite leading indicator fell for the second month in a row in January, pointing to continued weakness in the economy.

### ... but the Goods sector remains weak

- Output in the Goods sector decreased 0.2% in December. Continuing weakness in the North American auto industry affected production in not only the motor vehicle industry, but related areas such as primary metals and rubber products. Manufacturers of telecommunication equipment lowered output for the third time in four months, but cold temperatures and strong U.S. demand resulted in higher output for utilities.
- Activity in the Services sector increased 0.4% in December. Higher sales of wheat and natural gas led to a strong increase for the Transportation & Storage Industry. Retail Trade excluding autos was strong, while computer sales boosted wholesalers and high stock market activity led to increased output in the Finance industry.

### Real GDP at Factor Cost



### Real GDP by major sector



### Real GDP at Factor Cost (1992 dollars)

December 2000	\$ millions	monthly change	% Change since last	
			month	year
<b>Total Economy</b>	<b>796,227</b>	<b>1,500</b>	<b>0.2</b>	<b>3.3</b>
<b>Business sector</b>	<b>666,045</b>	<b>1,240</b>	<b>0.2</b>	<b>3.6</b>
<b>Goods</b>	<b>258,452</b>	<b>-454</b>	<b>-0.2</b>	<b>2.0</b>
Agriculture	12,758	49	0.4	-5.0
Fishing & Trapping	690	24	3.6	-0.3
Logging & Forestry	4,046	-173	-4.1	-14.8
Mining*	27,494	-17	-0.1	3.0
Manufacturing	143,655	-1,003	-0.7	2.7
Construction	42,623	134	0.3	0.6
Other Utilities	27,186	532	2.0	5.6
<b>Services</b>	<b>537,775</b>	<b>1,954</b>	<b>0.4</b>	<b>4.0</b>
Transport & Storage	37,397	570	1.5	4.8
Communications	30,620	-61	-0.2	6.6
Wholesale Trade	51,000	308	0.6	3.3
Retail Trade	51,853	456	0.9	5.3
Finance & Insurance	44,481	346	0.8	5.6
Real Estate & Ins. Agent	83,457	-43	-0.1	2.5
Business services	51,487	154	0.3	9.3
Government services	48,154	183	0.4	3.9
Education	41,079	103	0.3	0.8
Health & Social Services	46,422	-115	-0.2	0.2
Accommodation & Food	21,617	74	0.3	5.7
Other	30,208	-21	-0.1	1.9

\*Includes Quarrying and Crude Petroleum & Natural Gas







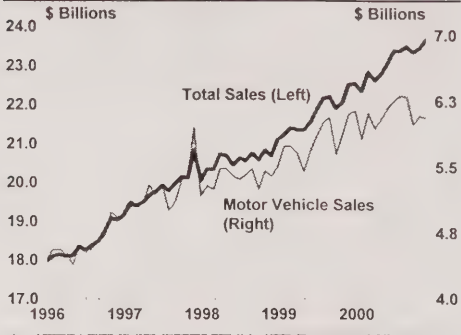
Consumer spending slows in the fourth quarter...

- Growth in consumer spending slowed to 2.3% (annual rate) in the fourth quarter, down from average growth of 4.3% since the beginning of 1999.
- While spending on services and non-durable goods advanced at a solid pace, purchases of consumer durables fell 6.8% (annualized) in the fourth quarter. Motor vehicle sales fell back after dealer incentives boosted growth in the third quarter.

...and the outlook for 2001 is uncertain

- Recent income gains have strengthened household finances and should support increased spending. In particular, personal disposable income rose 9.7% in the fourth quarter, significantly faster than spending. After adjusting for inflation, personal disposable income rose 3.6% overall in 2000.
- Labour market conditions have weakened early in the new year. Consumer confidence has also fallen, although it remains at a relatively high level. The impact of falling stock prices on consumer spending is uncertain.

Total Retail and Motor Vehicle Sales



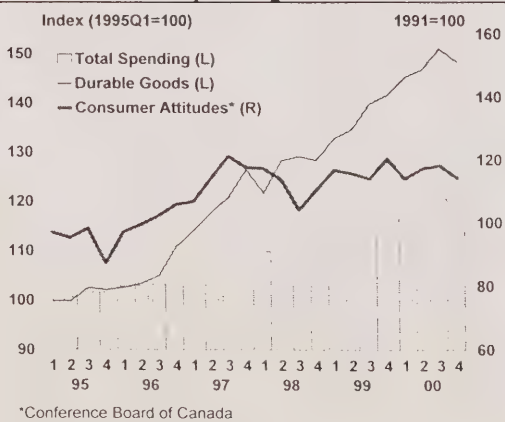
Retail Sales and Consumer Credit

	December 2000	% Change since	
		last month	last year
	\$ millions		
Total Retail Sales (S.A.)	23,662	0.9	5.1
Food	5,322	2.5	5.6
Drug Stores	1,151	-0.8	3.0
Clothing	1,273	-0.7	5.5
Furniture	1,289	0.1	8.0
Automotive	9,438	0.4	3.6
General Merch. Stores	2,688	2.4	8.3
All other Stores	2,502	0.1	5.6
Total ex. motor vehicles	17,594	1.3	7.2
Consumer Credit (unadjusted)	190	0.2	8.3

Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)				
	1999	2000	2000 Q3	2000 Q4
Real Consumption (92\$)	504,763	524,911	528,476	531,548
% change	3.5	4.0	5.0	2.3
Durable Goods	71,859	77,426	79,096	77,712
% change	8.1	7.7	12.2	-6.8
Semi-Durable Goods	47,103	49,364	49,984	50,104
% change	3.0	4.8	9.5	1.0
Non-Durable Goods	123,344	125,881	126,028	127,140
% change	2.1	2.1	1.9	3.6
Services	262,457	272,240	273,368	276,592
% change	3.0	3.7	3.6	4.8
Disposable Income	590,608	623,720	624,276	638,944
% change	4.0	5.6	2.7	9.7
Saving Rate (%)	3.7	3.2	2.3	3.5
Debt-to-Income Ratio (%)	96.1	95.7	96.2	95.1

Real Consumer Spending and Attitudes





# THE ECONOMY

## Business Investment in Plant and Equipment



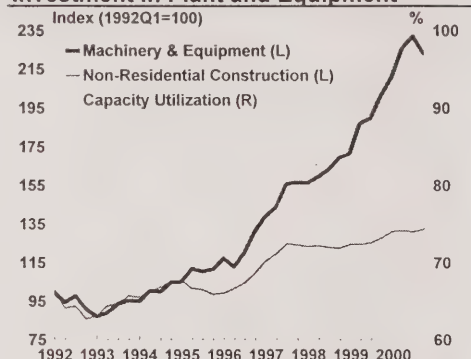
### Business investment falls in the fourth quarter...

- After posting strong advances earlier in the year, business investment in M&E fell 15.0% (annual rate) in the fourth quarter. Most categories of M&E registered a decline, including the first drop in spending on computers in three years.
- Non-Residential Construction activity increased 4.4% in the fourth quarter after a slight downturn in the previous period. Gains were concentrated in the engineering component, as improved weather conditions boosted drilling and rigging activity in the oil patch.

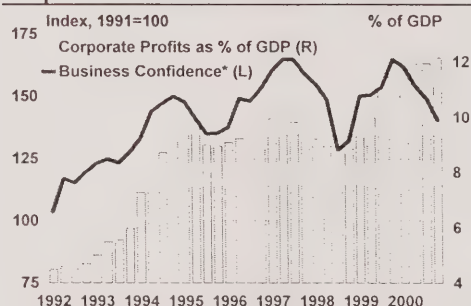
### ...as confidence falls

- Business confidence has fallen steadily since peaking late in 1999. Slower profit growth and the worsening outlook for the North American economy have contributed to this drop.
- Still, operating profits rose strongly overall in 2000, and the February survey of investment intentions points to a modest rise in spending on plant and equipment in 2001.

### Investment in Plant and Equipment



### Corporate Profits & Business Confidence



\*Conference Board of Canada

### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1999	2000	2000 Q1	2000 Q2	2000 Q3	2000 Q4
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	75,557	89,846	85,060	91,024	93,512	89,788
% change	15.6	18.9	20.1	31.1	11.4	-15.0
Non-residential Construction (1992\$)	40,288	42,208	42,080	42,212	42,044	42,496
% change	2.0	4.8	10.5	1.3	-1.6	4.4
Capacity Utilization (% , Non-farm goods)	83.5	85.5	85.4	85.7	85.6	85.4
Capacity Utilization (Mfg. sector)	84.5	85.8	85.6	85.7	86.1	85.7
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	174,317.0	211,219.0	207,200.0	210,112.0	211,476.0	216,088.0
% change	22.5	21.2	42.1	5.7	2.6	9.0
Profits - Non-financial industries	123,372.0	147,490.0	141,936.0	145,944.0	149,132.0	152,948.0
% change	30.0	19.5	21.0	11.8	9.0	10.6
Profits - Financial industries	50,945.0	63,728.0	65,264.0	64,168.0	62,340.0	63,140.0
% change	7.5	25.1	106.2	-6.6	-10.9	5.2
Business Credit	734,357.4	787,030.4	764,718.0	783,001.7	793,017.3	807,384.7
% change	5.8	7.2	6.0	9.9	5.2	7.4





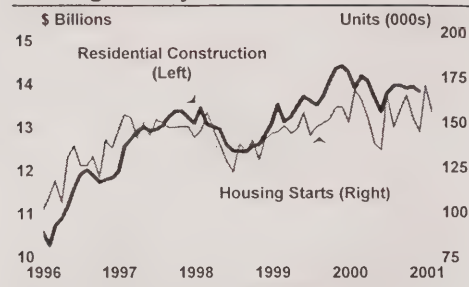
### Activity in the housing sector pauses in the fourth quarter...

- Residential Construction activity paused in the fourth quarter. The slight decline in output was due mainly to a fall in new housing construction, as there was a slight gain in renovation activity.
- The housing sector was volatile in 2000, but advanced 1.6% overall.

### ...but lower mortgage rates may boost output in 2001

- Housing market indicators for the first quarter are mixed. Housing starts surged to a six-year high in January before falling back in February. Building permits also surged 22.0% in January, reaching the highest monthly level in eleven years.
- Canada Mortgage and Housing Corporation foresees increased housing market activity in 2001. While slower economic growth is expected to have some impact, declining mortgage rates, tax cuts, and the delayed effect of strong job creation and income growth in recent years should boost construction and the resale market.

### Housing Activity



### Monthly Housing Indicators

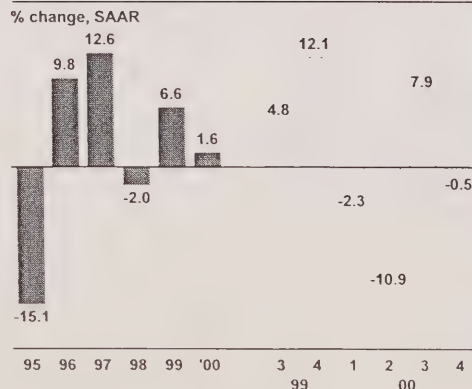
	levels	Change since last month	Change since last year
Residential Construction (1) (\$92M, factor cost basis)	13,841	-0.8%	-4.0%
Building Permits, \$M (2)	1,993	22.0%	13.2%
Sales of Existing Homes (2) (# of units)	20,987	2,234	
Housing Starts, # of units (3)	156,100	-14,600	-12,400
Newfoundland	800	0	-1,500
Prince Edward Island	200	-300	-300
Nova Scotia	3,300	-600	-300
New Brunswick	2,700	-300	700
Quebec	26,600	5,900	4,900
Ontario	68,000	-8,300	-11,100
Manitoba	1,700	100	900
Saskatchewan	1,300	-400	-300
Alberta	18,700	-5,500	0
British Columbia	13,700	-5,200	-900

1 - December data; 2 - January data; 3 - February data  
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

### Real Investment in Residential Structures

	1999	2000	2000 Q3	2000 Q4
Residential Construction	44,259	44,936	45,052	44,988
% change	6.6	1.5	7.8	-0.6
Construction by Business sector	43,983	44,676	44,788	44,736
% change	6.6	1.6	7.9	-0.5
New Housing	22,258	22,144	22,036	21,980
% change	7.5	-0.5	5.7	-1.0
Alterations & Improvements	14,399	15,207	15,316	15,320
% change	5.6	5.6	5.7	0.1
Ownership & Transfer Costs	7,259	7,585	7,700	7,688
% change	1.1	4.5	18.8	-0.6

### Growth in Real Residential Construction









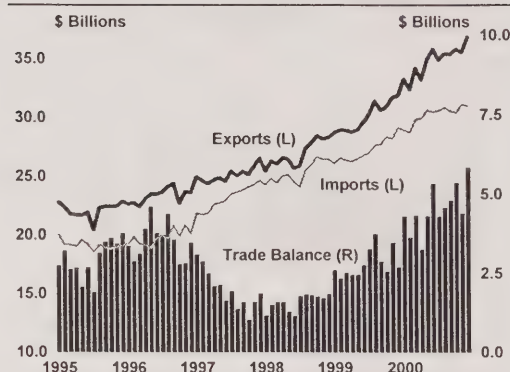
### Strong export growth in December...

- Exports rose 3.7% in December, led by sharp increase in Energy Products, which were boosted by higher prices and strong U.S. demand for electricity and natural gas. Exports of M&E rose to a record level, due to higher shipments of telecommunications equipment, electronic hardware and aircraft. Lower automotive exports reflect soft U.S. demand for motor vehicles.
- Imports fell 0.4% in December, due mainly to lower imports of Industrial Goods & Materials.

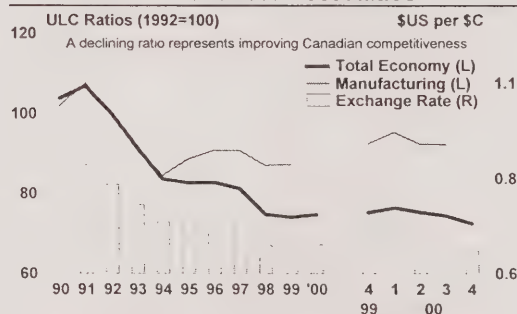
### ...leads to a record trade surplus

- On a monthly basis, Canada's merchandise trade surplus rose to an all-time high of \$5.8 billion in December.
- The trade surplus was \$54.5 billion for 2000 as a whole, also a record high and up nearly \$21 billion compared to 1999.

### Merchandise Trade Flows and Balance



### Canada-U.S. Unit Labour Cost Ratios



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

### Merchandise Trade

Merchandise Trade							
December 2000	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)	% Change	
	November 2000	December 2000	1999 Jan-Dec.	2000 Jan-Dec.		Nov. to Dec. 2000	Nov. to Dec. 2000
<b>Exports</b>	<b>35,548</b>	<b>36,849</b>	<b>360,609</b>	<b>417,657</b>	<b>1,301</b>	<b>3.7</b>	<b>15.7</b>
to United States	30,984	31,876	309,395	359,630	892	2.9	17.0
<b>Imports</b>	<b>31,136</b>	<b>31,001</b>	<b>326,818</b>	<b>363,162</b>	<b>-135</b>	<b>-0.4</b>	<b>6.3</b>
from United States	22,678	22,631	249,324	267,579	-47	-0.2	3.3
<b>Trade Balance</b>	<b>4,412</b>	<b>5,848</b>	<b>33,791</b>	<b>54,495</b>	<b>1,436</b>		
with United States	8,306	9,245	60,071	92,051	939		
<b>Exports by Commodity</b>							
Agriculture/Fishing Products	2,321	2,371	25,568	27,575	50	2.2	6.2
Energy Products	4,549	6,402	29,721	52,539	1,853	40.7	123.5
Forestry Products	3,433	3,230	39,116	41,379	-203	-5.9	-6.7
Industrial Goods & Materials	5,500	5,322	57,431	64,611	-178	-3.2	4.0
Machinery & Equipment	8,979	9,711	85,984	105,573	732	8.2	28.3
Automotive Products	8,218	7,232	95,493	96,298	-986	-12.0	-12.8
Other Consumer Goods	1,295	1,284	13,469	14,668	-11	-0.8	12.0
<b>Imports by Commodity</b>							
Agriculture/Fishing Products	1,621	1,572	17,645	18,568	-49	-3.0	5.1
Energy Products	1,724	1,670	10,709	17,753	-54	-3.1	34.6
Forestry Products	263	261	2,741	3,064	-2	-0.8	7.4
Industrial Goods & Materials	6,128	5,926	62,132	70,460	-202	-3.3	3.7
Machinery & Equipment	10,689	10,692	108,168	122,740	3	0.0	13.8
Automotive Products	6,111	6,199	75,917	77,406	88	1.4	-6.0
Other Consumer Goods	3,524	3,522	36,955	40,079	-2	-0.1	7.1





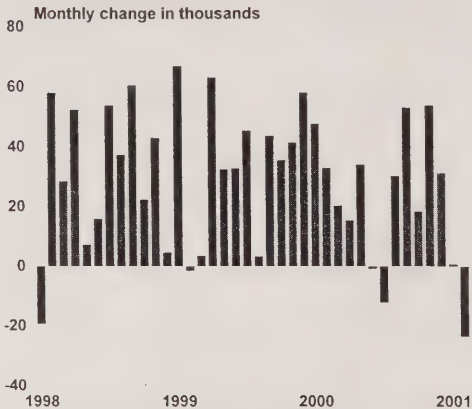
Employment falls in February...

- After pausing in January, employment fell by 24,000 in February. This decline, the largest monthly drop in four and a half years, suggests that economic activity has weakened further in 2001.
- February's job losses were concentrated in part-time work, as the number of full-time positions was little changed on the month.

...but the unemployment rate holds steady at 6.9%

- Although employment was lower in February, the number of job seekers also declined, leaving the national unemployment rate unchanged at 6.9%.
- Youth employment fell by 31,000, raising the youth unemployment rate 0.8 percentage points to 12.9%. The adult rate was unchanged at 5.8% in February.

Employment



Unemployment Rate



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2000 February	2001 January	2001 February	last month	last year	year-to- date	last month	last year
Employment	14,822.6	15,067.4	15,043.9	-23.5	221.3	-22.8	-0.2	1.5
Full-time	12,146.7	12,339.2	12,335.2	-4.0	188.5	-22.3	-0.0	1.6
Part-time	2,675.9	2,728.3	2,708.8	-19.5	32.9	-0.4	-0.7	1.2
Youth 15-24	2,258.0	2,345.3	2,314.7	-30.6	56.7	-29.7	-1.3	2.5
Adult 25+	12,564.6	12,722.2	12,729.3	7.1	164.7	7.0	0.1	1.3
Self-employed	2,518.5	2,314.9	2,312.2	-2.7	-206.3	-51.6	-0.1	-8.2
Unemployment	1,082.1	1,113.2	1,123.0	9.8	40.9	19.7	0.9	3.8
Unemployment Rate	6.8	6.9	6.9	0.0	0.1	0.1		
Youth 15-24	13.0	12.1	12.9	0.8	-0.1	0.4		
Adult 25+	5.6	5.8	5.8	0.0	0.2	0.1		
Labour Force	15,904.7	16,180.6	16,166.9	-13.7	262.2	-3.1	-0.1	1.6
Participation Rate	65.8	66.1	66.0	-0.1	0.2	-0.2		
Employment Rate	61.4	61.6	61.4	-0.2	0.0	-0.3		





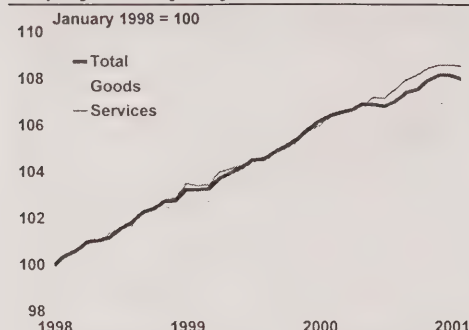
### *Job losses are concentrated in Manufacturing and Trade ...*

- The softening labour market is most evident in the Goods sector, where employment was down 20,000 in February. Employment in Manufacturing fell for the second straight month, and job losses continued in Agriculture. Construction was a bright spot, posting its fourth straight increase in employment.
- Employment edged down in the Services-producing industries in February, with Trade (Wholesale & Retail) posting a sizeable loss. This was largely offset by a solid increase for Management, Administrative & Other Support Services, and continued growth in Professional, Scientific & Technical Services.

### *...with declines in the private and public sectors*

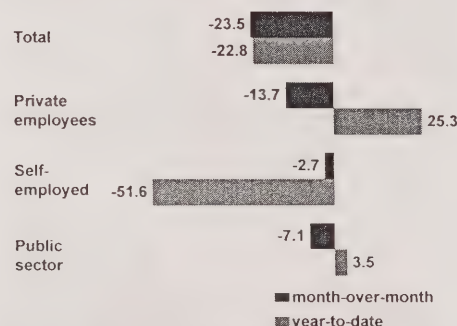
- Paid employment in the private sector was lower in February, as was employment in the public sector.
- The level of self-employment was little changed, following the loss of 48,000 jobs in January.

### Employment by major sector



### Employment growth by worker category

February 2001 (thousands)



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2000 February	2001 January	2001 February	last month	last year	year-to- date	last month	last year
<b>Goods-producing</b>	3,877.3	3,891.9	3,871.9	-20.0	-5.4	-18.5	-0.5	-0.1
Agriculture	398.3	345.7	334.8	-10.9	-63.5	-12.7	-3.2	-15.9
Natural Resources*	279.3	282.9	284.4	1.5	5.1	6.6	0.5	1.8
Utilities	116.8	122.4	122.5	0.1	5.7	4.8	0.1	4.9
Construction	820.1	821.6	833.3	11.7	13.2	14.5	1.4	1.6
Manufacturing	2,262.8	2,319.3	2,297.1	-22.2	34.3	-31.6	-1.0	1.5
<b>Services-producing</b>	10,945.3	11,175.6	11,172.0	-3.6	226.7	-4.2	-0.0	2.1
Trade	2,291.7	2,375.0	2,346.1	-28.9	54.4	-8.6	-1.2	2.4
Transportation	781.6	788.1	782.5	-5.6	0.9	-5.4	-0.7	0.1
FIRE*	861.2	869.6	879.7	10.1	18.5	-2.3	1.2	2.1
Professional/Scientific	910.8	994.1	1,006.5	12.4	95.7	17.8	1.2	10.5
Management/Administrative	518.3	530.8	557.0	26.2	38.7	-2.2	4.9	7.5
Educational Services	993.6	959.9	965.8	5.9	-27.8	13.6	0.6	-2.8
Health Care/Social Assistance	1,521.6	1,544.4	1,535.3	-9.1	13.7	11.4	-0.6	0.9
Information/Culture/Recreation	636.9	700.0	689.4	-10.6	52.5	-11.3	-1.5	8.2
Accommodation & Food	965.8	968.0	975.3	7.3	9.5	9.5	0.8	1.0
Other Services	699.2	685.8	680.1	-5.7	-19.1	-18.4	-0.8	-2.7
Public Administration	764.6	760.0	754.5	-5.5	-10.1	-8.0	-0.7	-1.3

\*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing







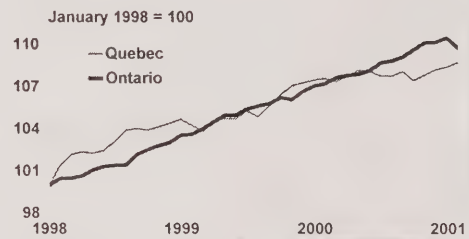
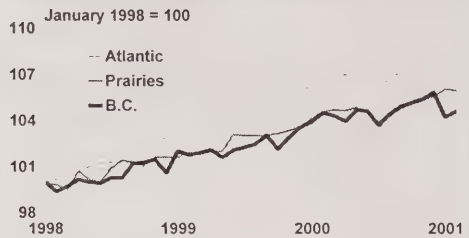
Ontario, New Brunswick and Saskatchewan register job losses...

- Losses in Manufacturing and Trade lowered Ontario employment by 38,000 in February, the biggest monthly drop since the early 1990s.
- Job losses totalled 8,000 in New Brunswick, raising its unemployment rate from 10.0% to 11.6%. This follows seven months of steady gains.
- Saskatchewan also registered job losses in February, leading to a slight 0.1 point increase in its unemployment rate.

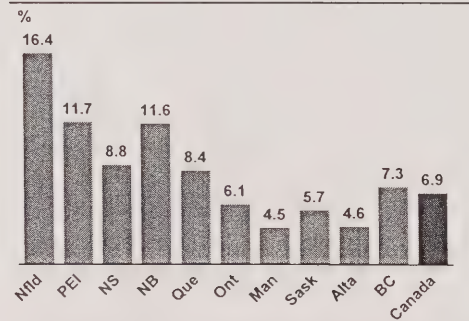
...but gains are led by Quebec, British Columbia and Nova Scotia

- In Quebec, employment was up by 11,000 in February, buoyed by gains in Professional, Scientific & Technical Services. Quebec's unemployment rate dipped 0.2 points to 8.4%.
- Employment increased by 7,000 in British Columbia, with gains concentrated in Accommodation & Food Services. Its unemployment rate edged down 0.1 points to 7.3%.
- Services were the key to job gains in Nova Scotia in February, with the unemployment rate falling 1.0 percentage points to 8.8%.

Regional employment patterns



Unemployment Rates -- February 2001



Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels	Change since last month		Change since last year			Levels	Change since last month	Change since last year
	2001 February	(000's)	%	(000's)	%				
Canada	15,043.9	-23.5	-0.2	221.3	1.5		6.9	0.0	0.1
Newfoundland	206.4	-0.2	-0.1	2.6	1.3		16.4	0.1	-1.3
P.E.I.	66.0	0.9	1.4	1.3	2.0		11.7	0.0	0.2
Nova Scotia	422.8	6.4	1.5	5.5	1.3		8.8	-1.0	-0.9
New Brunswick	333.4	-7.8	-2.3	2.4	0.7		11.6	1.6	1.8
Quebec	3,468.0	10.7	0.3	36.4	1.1		8.4	-0.2	0.0
Ontario	5,938.7	-37.7	-0.6	137.3	2.4		6.1	0.4	0.4
Manitoba	557.4	-1.2	-0.2	7.1	1.3		4.5	-0.1	-0.8
Saskatchewan	477.2	-6.2	-1.3	-12.8	-2.6		5.7	0.1	1.0
Alberta	1,624.6	4.7	0.3	39.7	2.5		4.6	-0.4	-0.3
B.C.	1,949.4	6.9	0.4	1.7	0.1		7.3	-0.1	0.3



# PRICES and FINANCIAL MARKETS

## Consumer and Commodity Prices



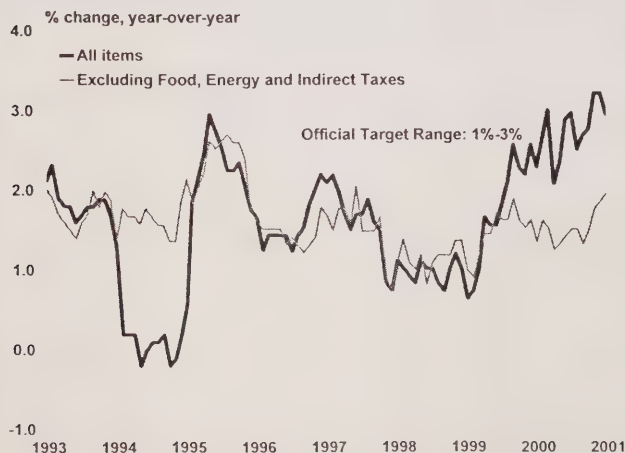
### Headline inflation falls in January...

- The annual rate of CPI inflation fell to 3.0% in January. Higher energy prices accounted for close to one-third of the year-over-year rise in prices, but costs were also higher for mortgage interest, meat, food purchased from restaurants, and traveller accommodation.
- Lower prices for motor vehicles, computer equipment & supplies and child care put downward pressure on measured inflation. Rebates to offset higher natural gas prices contributed to lower inflation in Alberta.

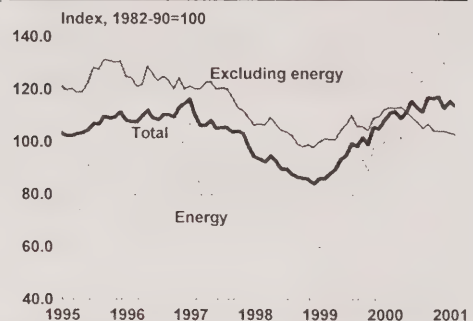
### ...but the "core" rate rises to the mid-point of the official target range

- The "core" rate of inflation, which excludes energy, food and indirect taxes, edged up to 2.0% in January. This is the mid-point of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices were up 2.4% in February compared to a year ago. Prices for Energy commodities surged 24.8%, while non-energy commodity prices decreased 9.0%.

### Consumer Price Index



### Commodity Prices (\$U.S. basis)



### Consumer Prices

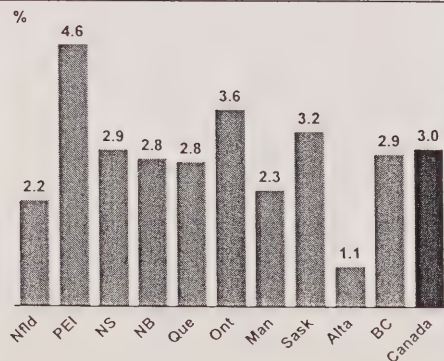
January 2001

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	114.7	-0.3	3.0
Food	114.7	0.2	3.5
Shelter	111.0	-0.6	4.0
Household operations	110.5	0.0	1.7
Clothing & Footwear	104.8	-0.4	0.5
Transportation	131.2	-0.9	3.1
Health & Personal Care	113.1	0.3	1.9
Recreation, Educ. & Reading	121.4	-0.5	2.4
Alcohol & Tobacco	99.2	0.2	3.1
Excl. Food/Energy/Indirect Taxes	114.2	-0.2	2.0
Energy	130.9	-2.7	10.4

### Commodity Prices (February)

Index, 1982-90=100	114.0	-1.5	2.4
Excluding Energy	103.2	-0.5	-9.0
Energy	134.2	-2.8	24.8

### Provincial CPI Inflation -- January 2001







### The Bank of Canada lowers short term interest rates...

- The Bank of Canada lowered its trend-setting Bank Rate by 50 basis points to 5.25% on March 6. This action was taken to provide a boost to the slowing economy, and follows a 25-point cut on January 23.
- In anticipation of the Bank's move, market-determined short-term rates fell throughout February and early March. This includes across-the-board cuts in mortgage rates, and a drop in the chartered banks' Prime Lending rate.

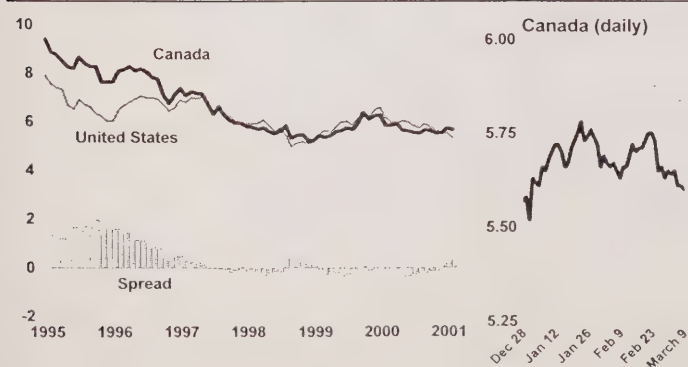
### ...but long-term yields rise

- Long-term bond yields rose through much of February, but fell back late in the month as stock market turmoil prompted investors to switch to the relative safety of bonds. The long rate was 5.61% on March 7, down 11 basis points compared to the end of January.
- The decline in long-term bond yields has been more pronounced in the U.S. Canadian yields had been below comparable U.S. rates for much of 1999 and 2000, but were 29 basis points above U.S. rates on March 7.

#### Short-term Interest Rates



#### Long-term Bond Yields



#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Sept 2000	5.83	-0.72	5.67	-0.23
Oct	5.85	-0.75	5.61	-0.14
Nov	5.89	-0.68	5.51	-0.15
Dec	5.71	-0.60	5.56	0.11
Jan 2001	5.29	-0.03	5.72	0.18
Feb	5.05	0.11	5.66	0.32
March 7	4.87	-0.14	5.61	0.29

A positive spread indicates that Canadian rates are above their U.S. counterparts.

#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Sept 2000	6.00	7.50	7.90	8.25
Oct	6.00	7.50	7.90	8.25
Nov	6.00	7.50	7.90	8.25
Dec	6.00	7.50	7.70	7.95
Jan 2001	5.75	7.25	7.40	7.75
Feb	5.75	7.25	7.20	7.75
March 7	5.25	6.75	7.05	7.50







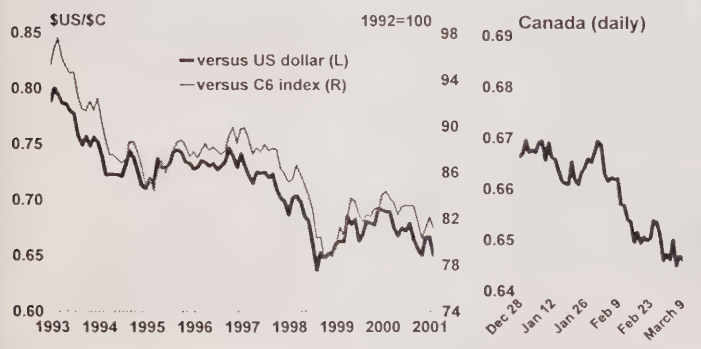
### The dollar falls below US¢65...

- Like most major international currencies, the Canadian dollar lost ground against its U.S. counterpart in February, as growing concern over global economic conditions and stock market turmoil prompted a flight to "safe haven" U.S. dollar assets. Indications that domestic short-term interest rates were poised to once again drop below U.S. rates was also a factor behind the dollar's weakness.
- The dollar closed at US¢64.63 on March 9, edging toward the all-time low of US¢63.10 set during the Asian financial crisis in 1998.

### ...and the TSE 300 ends February lower

- Growing concern about the economy's performance and profit warnings in the high-tech sector dragged down stock prices in February. The TSE300 index closed the month down 13.3%, but subsequently regained some its value at the beginning of March. Compared to the same period last year, the TSE300 has lost 11.5% of its value.
- The U.S. S&P 500 and Dow Jones indexes also posted losses in February.

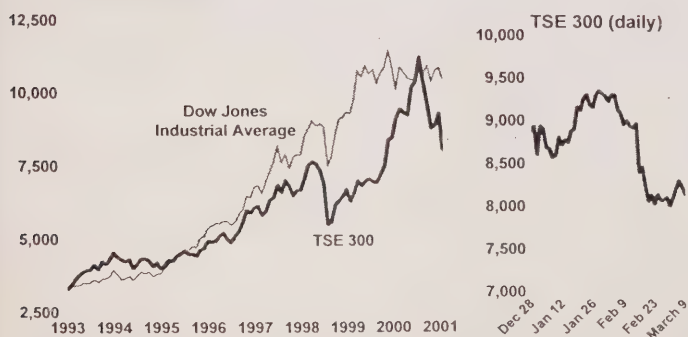
#### Canadian dollar



#### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Sept 2000	0.6651	83.16	1.513	71.88
Oct	0.6568	81.87	1.517	71.70
Nov	0.6510	80.34	1.485	70.75
Dec	0.6669	81.19	1.433	73.64
Jan 2001	0.6672	82.15	1.387	77.67
Feb	0.6510	81.26	1.396	76.36
March 9	0.6463			

#### Stock Market Indices



#### Key Stock Market Indexes

		% change from	
	February Close	last month	last year
TSE 300	8,079	-13.3	-11.5
Oil & Gas	8,558	7.2	55.7
Metals & Minerals	4,099	6.7	17.4
Utilities	14,874	-7.0	0.1
Paper & Forest	4,534	-0.1	-12.1
Merchandising	5,676	3.2	25.6
Financial Services	10,469	-3.6	48.5
Gold	4,360	6.8	3.2
Price-Earnings Ratio*	20.5	-3.2	-11.8
S&P 500	1,240	-9.2	-9.3
Dow Jones	10,495	-3.6	3.6

\*columns 2 & 3 reflect change in levels





### *The U.S. economy cools in the fourth quarter...*

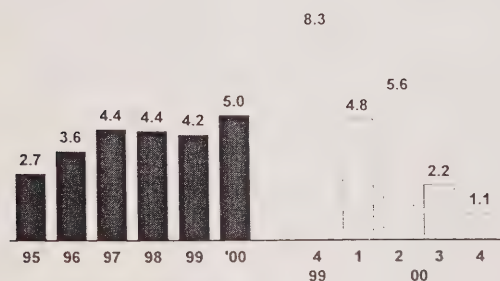
- Preliminary estimates indicate that growth in U.S. real GDP slowed to 1.1% (annual rate) in the fourth quarter of 2000, the weakest rise since 1995. Consumer confidence fell to its lowest level in almost five years in February, but remains well above recession levels.
- U.S. employment increased modestly in February (+135,000), led by a gain of 95,000 in the Services industry. Lower employment in Manufacturing again held back overall employment growth. The unemployment rate was unchanged at 4.2% in February.
- The U.S. trade deficit increased to \$33.1 billion in December, bringing the total for 2000 to a record \$370 billion, up from \$265 billion in 1999.

### *...but inflation rises to 3.7%*

- On a year-over-year basis, U.S. consumer prices were up 3.7% in January, while inflation excluding food and energy prices was 2.6%. Producer prices were up 4.8%, the highest year-over-year increase in ten years.
- Productivity in the non-farm business sector rose 2.2% (annual rate) in the fourth quarter of the year, and unit labor costs rose 4.3% in the fourth quarter.

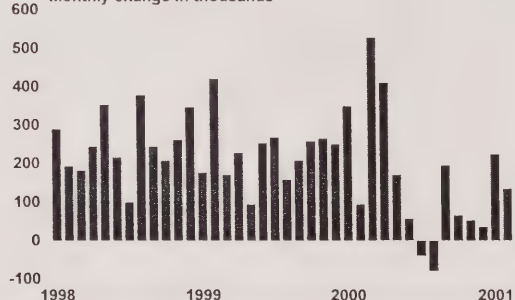
#### U.S. Real GDP Growth

% change, SAAR



#### U.S. Non-farm Payrolls

Monthly change in thousands



#### U.S. Consumer Price Inflation

% change, year-over-year



#### U.S. Unemployment & Participation Rates







## CANADA

International Trade – January .....	March 20
Consumer Price Index – February .....	March 21
Survey of Manufacturing – January .....	March 23
GDP at factor cost – January .....	March 30
Labour Force Survey – March .....	April 6
Business Conditions Survey – April .....	May 4
National Economic & Financial Accounts – 1st Quarter 2001 .....	May 31
Balance of International Payments – 1st Quarter 2001 .....	May 31
Financial Statistics For Enterprises – 1st Quarter 2001 .....	June 7
Capacity Utilization Rates – 1st Quarter 2001 .....	June 11
Private and Public Investment Intentions – 2001 (revised) .....	July 18

## UNITED STATES

International Trade – January .....	March 20
Federal Open Market Committee meeting .....	March 20
Consumer Price Index – February .....	March 21
GDP – 4th Quarter 2000, Final .....	March 29
Employment Situation – March .....	April 6

Note: the March MEI uses data available as of March 9, 2001





# MONTHLY ECONOMIC INDICATORS

April 2001

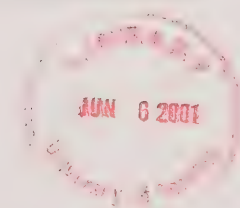
## HIGHLIGHTS

- Output rises 0.3% in January, but the Manufacturing sector remains weak.
- Employment rebounds in March after posting a loss in February.
- The Canadian dollar continues to fall, hit by a global flight to the U.S. dollar.
- Although exports were also down, a sharp fall in imports leads to a record high trade surplus in January.
- The Federal Reserve lowers rates an additional 50 basis points to boost the slowing U.S. economy.

## Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	799.8	0.3	3.2	Jan.
Goods	258.3	0.0	1.0	Jan.
Services	541.5	0.5	4.3	Jan.
Composite Index	167.1	0.1	5.5	Feb.
Employment (000's)	15,074	0.2	1.6	March
Full-time	12,350	0.1	1.5	March
Part-time	2,723	0.5	1.8	March
Unemployment* (%)	7.0	6.9	6.8	March
Youth*	12.8	12.9	13.0	March
Adult*	5.9	5.8	5.6	March
CPI inflation*	2.9	3.0	2.7	Feb.
Retail Sales (\$M)	23,754	0.6	5.4	Jan.
Housing Starts (000's)	153.8	-1.5	-5.5	March
Trade Balance* (\$M)	6,577	5,848	4,300	Jan.
Exports	36,690	-0.4	10.3	Jan.
Imports	30,113	-2.9	4.0	Jan.
M&E	10,493	-1.9	9.1	Jan.
3-mth Corp. paper* (%)	4.72	5.05	5.46	Apr. 4
Long bond yield* (%)	5.80	5.66	5.84	Apr. 4
Canadian dollar* (US¢)	63.92	65.10	68.99	Apr. 6

\*Data in levels only – % change not reported.



The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).



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Canada



# MONTHLY ECONOMIC INDICATORS

## April 2001

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This report uses data available as of April 6, 2001. It has been prepared by Éric Chalifoux, Joe Macaluso, Arif Mahmud and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).





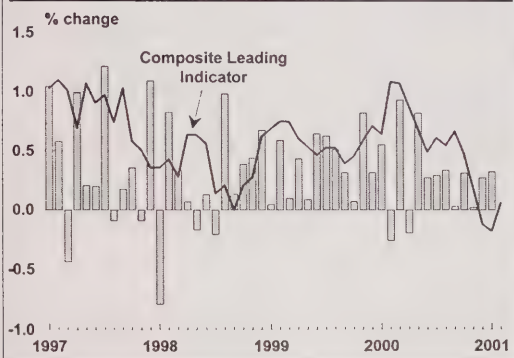
### Output rises in January...

- Real GDP at factor cost increased 0.3% in January, following a similar advance in December. Statistics Canada's composite leading indicator rose in February, after two consecutive monthly declines.

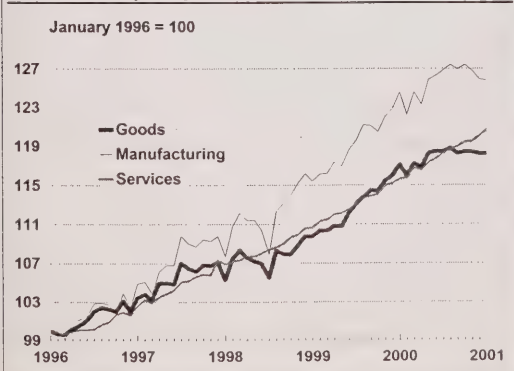
### ... but Manufacturing remains weak

- Output in the Goods sector was flat in January. Ongoing weakness in the automotive and electronic products industries lowered production in Manufacturing, while more seasonable weather reduced utilities' output from December's peak. However, gains in industrial plant construction and home-building boosted Construction activity, and output in Logging & Forestry advanced 4.7% after five consecutive monthly declines. The Mining sector advanced with a rebound in drilling and rigging activity and continued growth in crude petroleum and natural gas extraction.
- Services output increased by 0.5% in January. Surging computer sales pushed Wholesaling higher for the second straight month, while broad-based advances in motor vehicle and department store sales buoyed Retail Trade. The Insurance & Real Estate industry benefited from a surge in home resales.

Real GDP at Factor Cost



Real GDP by major sector



Real GDP at Factor Cost (1992 dollars)

#### January 2001

	\$ millions	monthly change	% Change since last month	year
<b>Total Economy</b>	<b>799,790</b>	<b>2,582</b>	<b>0.3</b>	<b>3.2</b>
<b>Business sector</b>	<b>669,429</b>	<b>2,425</b>	<b>0.4</b>	<b>3.4</b>
<b>Goods</b>	<b>258,292</b>	<b>7</b>	<b>0.0</b>	<b>1.0</b>
Agriculture	12,809	38	0.3	-2.2
Fishing & Trapping	655	-35	-5.1	-12.2
Logging & Forestry	4,296	194	4.7	-5.6
Mining*	28,033	421	1.5	4.2
Manufacturing	143,140	-141	-0.1	1.0
Construction	43,176	436	1.0	1.8
Other Utilities	26,183	-906	-3.3	-0.9
<b>Services</b>	<b>541,498</b>	<b>2,575</b>	<b>0.5</b>	<b>4.3</b>
Transport & Storage	37,383	17	0.0	3.9
Communications	31,255	254	0.8	9.4
Wholesale Trade	52,602	871	1.7	6.6
Retail Trade	52,426	596	1.1	4.9
Finance & Insurance	44,317	-40	-0.1	3.5
Real Estate & Ins. Agent	84,046	501	0.6	2.9
Business services	51,522	46	0.1	8.2
Government services	48,294	117	0.2	4.3
Education	41,151	65	0.2	1.2
Health & Social Services	46,472	55	0.1	0.2
Accommodation & Food	21,883	162	0.7	8.4
Other	30,147	-69	-0.2	1.6

\*Includes Quarrying and Crude Petroleum & Natural Gas





# THE ECONOMY

## Consumer Spending and Attitudes



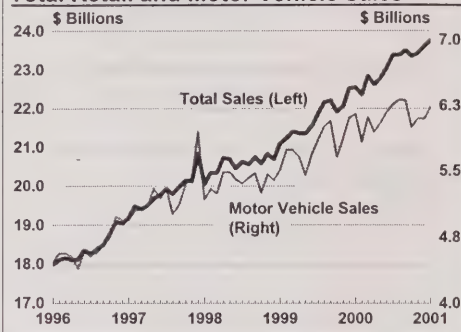
### Consumer spending slows in the fourth quarter of 2000...

- Growth in consumer spending slowed to 2.3% (annual rate) in the fourth quarter, down from average growth of 4.3% since the beginning of 1999.
- While spending on services and non-durable goods advanced at a solid pace, purchases of consumer durables fell 6.8% (annualized) in the fourth quarter. Motor vehicle sales fell back after dealer incentives boosted growth in the third quarter.

### ...but shows some signs of strength early in the new year

- Recent income gains have strengthened household finances and should support increased spending. In particular, personal disposable income rose 9.7% in the fourth quarter, significantly faster than spending. Retail sales were up for the third straight month in January, with widespread gains led by higher sales of furniture and clothing.
- Activity may weaken in February, however, given a drop in housing starts, lower motor vehicle sales and employment losses.

### Total Retail and Motor Vehicle Sales



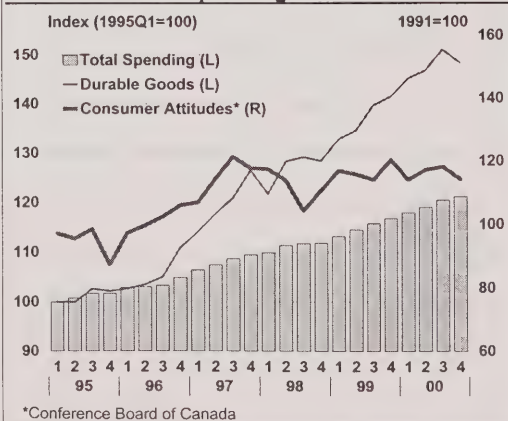
### Retail Sales and Consumer Credit

	January 2001	% Change since	
		last month	last year
	\$ millions		
Total Retail Sales (S.A.)	23,754	0.6	5.4
Food	5,133	-2.9	5.5
Drug Stores	1,168	1.9	4.2
Clothing	1,326	4.0	7.2
Furniture	1,380	6.1	12.8
Automotive	9,491	0.6	4.5
General Merch. Stores	2,708	1.6	4.3
All other Stores	2,548	1.7	5.3
Total ex. motor vehicles	17,526	0.0	6.9
Consumer Credit (unadjusted)	195	0.4	9.8

### Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)				2000 Q3	2000 Q4
	1999	2000			
Real Consumption (92\$)	504,763	524,911		528,476	531,548
% change	3.5	4.0		5.0	2.3
Durable Goods	71,859	77,426		79,096	77,712
% change	8.1	7.7		12.2	-6.8
Semi-Durable Goods	47,103	49,364		49,984	50,104
% change	3.0	4.8		9.5	1.0
Non-Durable Goods	123,344	125,881		126,028	127,140
% change	2.1	2.1		1.9	3.6
Services	262,457	272,240		273,368	276,592
% change	3.0	3.7		3.6	4.8
Disposable Income	590,608	623,720		624,276	638,944
% change	4.0	5.6		2.7	9.7
Saving Rate (%)	3.7	3.2		2.3	3.5
Debt-to-Income Ratio (%)	96.1	95.7		96.2	95.1

### Real Consumer Spending and Attitudes





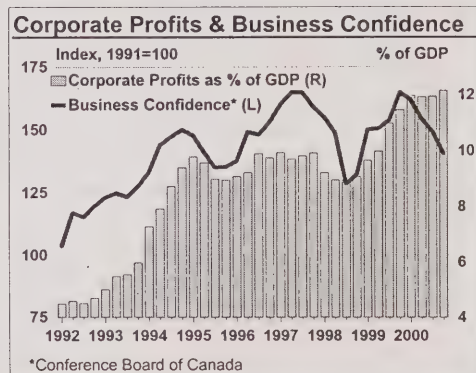
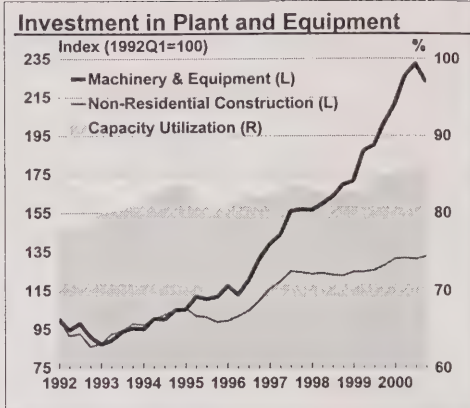


### Business investment falls in the fourth quarter...

- After posting strong advances earlier in the year, business investment in M&E fell 15.0% (annual rate) in the fourth quarter. Most categories of M&E registered a decline, including the first drop in spending on computers in three years.
- Non-Residential Construction activity increased 4.4% in the fourth quarter after a slight downturn in the previous period. Gains were concentrated in the engineering component, as improved weather conditions boosted drilling and rigging activity in the oil patch.

### ...with mixed results in the first quarter

- Business confidence has fallen steadily since peaking late in 1999. Still, operating profits rose strongly overall in 2000.
- Available data early in the new year are mixed. Imports of M&E fell 1.9% in January. However, Non-Residential Construction increased for the third straight month, and building permits were up 26% in January and February compared to a year ago.



### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1999	2000	2000 Q1	2000 Q2	2000 Q3	2000 Q4
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	75,557	89,846	85,060	91,024	93,512	89,788
% change	15.6	18.9	20.1	31.1	11.4	-15.0
Non-residential Construction (1992\$)	40,288	42,208	42,080	42,212	42,044	42,496
% change	2.0	4.8	10.5	1.3	-1.6	4.4
Capacity Utilization (%, Non-farm goods)	83.5	85.5	85.4	85.7	85.6	85.4
Capacity Utilization (Mfg. sector)	84.5	85.8	85.6	85.7	86.1	85.7
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	174,317.0	211,219.0	207,200.0	210,112.0	211,476.0	216,088.0
% change	22.5	21.2	42.1	5.7	2.6	9.0
Profits - Non-financial industries	123,372.0	147,490.0	141,936.0	145,944.0	149,132.0	152,948.0
% change	30.0	19.5	21.0	11.8	9.0	10.6
Profits - Financial industries	50,945.0	63,728.0	65,264.0	64,168.0	62,340.0	63,140.0
% change	7.5	25.1	106.2	-6.6	-10.9	5.2
Business Credit	734,357.4	787,030.4	764,718.0	783,001.7	793,017.3	807,384.7
% change	5.8	7.2	6.0	9.9	5.2	7.4





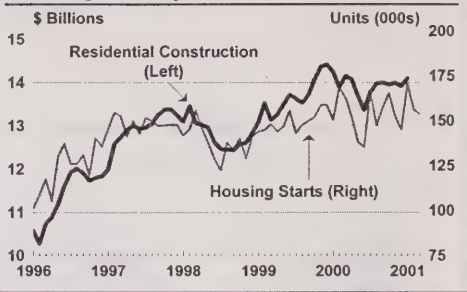
Activity in the housing sector pauses in the fourth quarter...

- Residential Construction activity paused in the fourth quarter. The slight decline in output was due mainly to a fall in new housing construction, as there was a slight gain in renovation activity.
- The housing sector was volatile in 2000, but advanced 1.6% overall.

...but should strengthen in the first quarter

- Housing starts fell for the second consecutive month in March, but starts were still up nearly 4% overall in the first quarter due to a surge in January. Residential Construction rose 1.3% in January, and residential building permits were up 14% in January and February compared to a year ago.
- Canada Mortgage and Housing Corporation foresees increased housing market activity in 2001. While slower economic growth is expected to have some impact on demand, declining mortgage rates, tax cuts, and the delayed effect of strong job creation and income growth in recent years should boost construction and the resale market.

Housing Activity



Monthly Housing Indicators

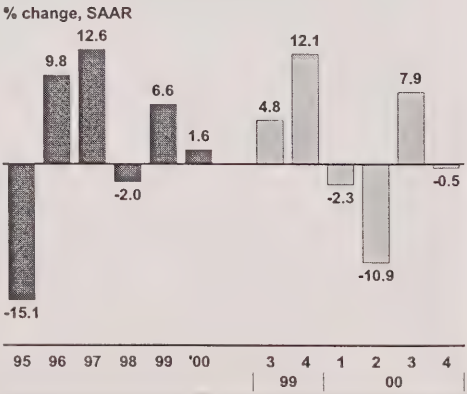
	levels	Change since	
		last month	last year
Residential Construction (1) (\$92M, factor cost basis)	14,102	1.3%	-1.1%
Building Permits, \$M (2)	1,953	-0.9%	16.7%
Sales of Existing Homes (2) (# of units)	20,854	-150	
Housing Starts, # of units (3)	153,800	-2,300	-9,000
Newfoundland	400	-400	-600
Prince Edward Island	400	200	-200
Nova Scotia	1,200	-2,100	-3,300
New Brunswick	1,800	-900	-300
Quebec	21,700	-4,900	1,300
Ontario	73,100	5,100	-2,700
Manitoba	1,600	-100	0
Saskatchewan	1,600	300	-400
Alberta	20,700	2,000	300
British Columbia	12,200	-1,500	1,400

1 - January data; 2 - February data; 3 - March data  
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

Real Investment in Residential Structures

	1999	2000	2000 Q3	2000 Q4
Residential Construction	44,259	44,936	45,052	44,988
% change	6.6	1.5	7.8	-0.6
Construction by Business sector	43,983	44,676	44,788	44,736
% change	6.6	1.6	7.9	-0.5
New Housing	22,258	22,144	22,036	21,980
% change	7.5	-0.5	5.7	-1.0
Alterations & Improvements	14,399	15,207	15,316	15,320
% change	5.6	5.6	5.7	0.1
Ownership & Transfer Costs	7,259	7,585	7,700	7,688
% change	1.1	4.5	18.8	-0.6

Growth in Real Residential Construction







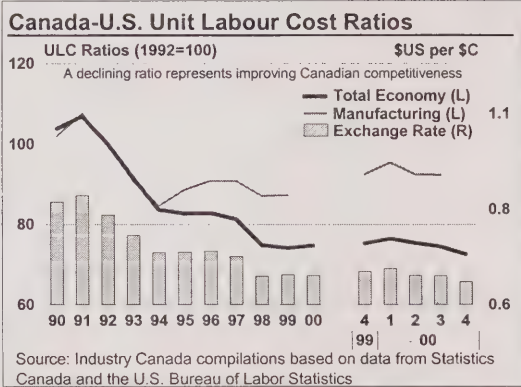
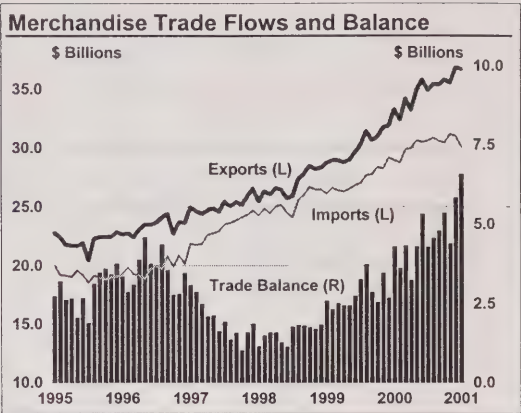


A sharp drop in imports...

- Imports dropped 2.9% in January, due to a sharp drop in the imports of Automotive Products as production continues to be cut back. Imports of M&E particularly communications equipment were also down on the month.
Exports also fell in January, albeit at a slower pace (-0.4%) than imports. Exports of M&E fell sharply due to lower shipments of telecommunications equipment and aircraft. Exports of Energy Products were down from a record-setting advance in December, mainly owing to lower prices for electricity. These declines offset gains in the export of Automotive Products and Industrial Goods & Materials.

...boosts the trade surplus to a record high

- With imports falling faster than exports, Canada's merchandise trade surplus rose to a record high \$6.6 billion in January.



Merchandise Trade

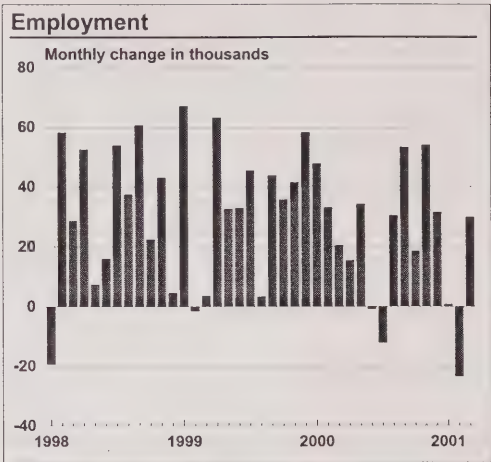
Table with 7 columns: January 2001, Levels (\$ millions), Year-to-date (\$ millions), Change (\$M), and % Change. Rows include Exports, Imports, Trade Balance, and detailed commodity breakdowns for both exports and imports.





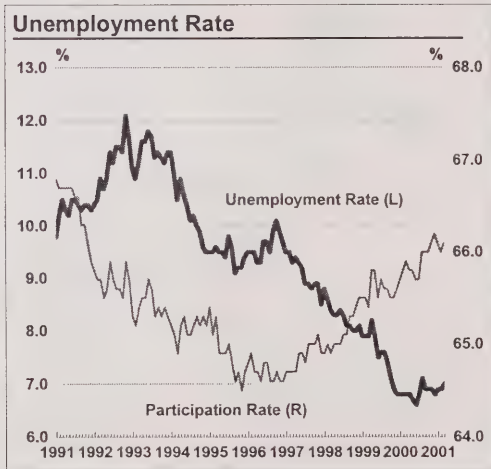
Employment rebounds in March...

- After registering little change in January and a loss of 24,000 jobs in February, employment rose by 30,000 in March.
- These job gains were split evenly between full-time and part-time work.
- Adult women accounted for almost two-thirds of the total increase, with youth accounting for most of the remaining third. Adult male employment was flat for the third time in four months.



...but a larger increase in the labour force raises the unemployment rate to 7.0%

- New entrants to the labour force rose more quickly than employment in March, raising the national unemployment rate 0.1 percentage points to 7.0%.
- Employment gains lowered the youth unemployment rate 0.1 percentage points to 12.8%. The adult unemployment rate increased 0.1 points to 5.9%.



Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2000 March	2001 February	2001 March	last month	last year	year-to- date	last month	last year
Employment	14,843.0	15,043.9	15,073.6	29.7	230.6	6.9	0.2	1.6
Full-time	12,167.0	12,335.2	12,350.3	15.1	183.3	-7.2	0.1	1.5
Part-time	2,676.0	2,708.8	2,723.3	14.5	47.3	14.1	0.5	1.8
Youth 15-24	2,265.8	2,314.7	2,323.6	8.9	57.8	-20.8	0.4	2.6
Adult 25+	12,577.3	12,729.3	12,750.0	20.7	172.7	27.7	0.2	1.4
Self-employed	2,487.1	2,312.2	2,331.7	19.5	-155.4	-32.1	0.8	-6.2
Unemployment	1,085.3	1,123.0	1,142.8	19.8	57.5	39.5	1.8	5.3
Unemployment Rate	6.8	6.9	7.0	0.1	0.2	0.2		
Youth 15-24	13.0	12.9	12.8	-0.1	-0.2	0.3		
Adult 25+	5.6	5.8	5.9	0.1	0.3	0.2		
Labour Force	15,928.3	16,166.9	16,216.4	49.5	288.1	46.4	0.3	1.8
Participation Rate	65.9	66.0	66.1	0.1	0.2	-0.1		
Employment Rate	61.4	61.4	61.5	0.1	0.1	-0.2		

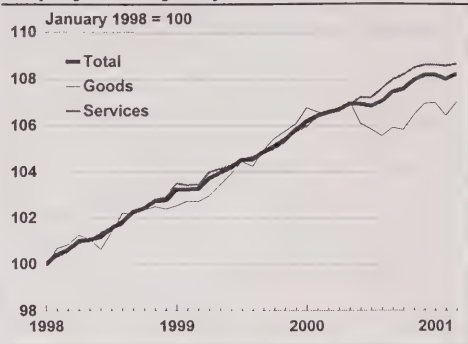




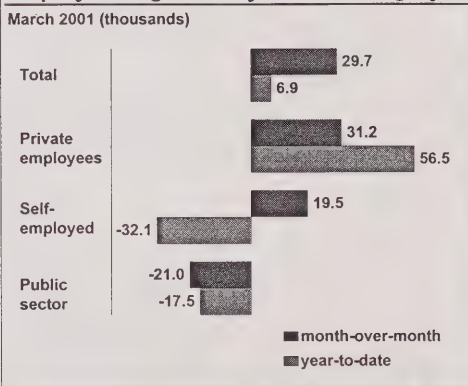
Job gains are concentrated in Natural Resources and Construction ...

- Employment in the Goods sector increased by 21,000 in March, offsetting a drop in the previous month. Mining and oil and gas extraction boosted employment in Natural Resources, while Construction posted its fifth straight gain. The Manufacturing sector, in particular transportation equipment, remains weak.
  - Employment in Services edged up 8,000 in March. Job losses in Finance, Insurance, Real Estate & Leasing, Retail & Wholesale Trade and Management, Administrative & Other Support Services largely offset gains in Information, Culture & Recreation and Health Care & Social Assistance.
- ...and in the private sector
- Paid employment in the private sector was up 31,000 in March. Self-employment also posted an increase (+20,000), but is still down almost 200,000 from its peak at the beginning of 2000.
  - Gains in private sector employment were partly offset by the loss of 21,000 jobs in the public sector.

Employment by major sector



Employment growth by worker category



Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2000 March	2001 February	2001 March	last month	last year	year-to- date	last month	last year
Goods-producing	3,873.5	3,871.9	3,893.3	21.4	19.8	2.9	0.6	0.5
Agriculture	394.0	334.8	337.6	2.8	-56.4	-9.9	0.8	-14.3
Natural Resources*	277.7	284.4	295.1	10.7	17.4	17.3	3.8	6.3
Utilities	114.6	122.5	117.7	-4.8	3.1	0.0	-3.9	-2.7
Construction	818.8	833.3	844.1	10.8	25.3	25.3	1.3	3.1
Manufacturing	2,268.3	2,297.1	2,298.8	1.7	30.5	-29.9	0.1	-1.3
Services-producing	10,969.6	11,172.0	11,180.3	8.3	210.7	4.1	0.1	1.9
Trade	2,307.5	2,346.1	2,338.0	-8.1	30.5	-16.7	-0.3	1.3
Transportation	779.3	782.5	782.9	0.4	3.6	-5.0	0.1	0.5
FIRE*	862.5	879.7	869.7	-10.0	7.2	-12.3	-1.1	0.8
Professional/Scientific	913.6	1,006.5	1,013.3	6.8	99.7	24.6	0.7	10.9
Management/Administrative	533.2	557.0	549.9	-7.1	16.7	-9.3	-1.3	3.1
Educational Services	990.4	965.8	962.9	-2.9	-27.5	10.7	-0.3	-2.8
Health Care/Social Assistance	1,521.8	1,535.3	1,547.0	11.7	25.2	23.1	0.8	1.7
Information/Culture/Recreation	640.1	689.4	707.0	17.6	66.9	6.3	2.6	10.5
Accommodation & Food	962.7	975.3	977.8	2.5	15.1	12.0	0.3	1.6
Other Services	689.8	680.1	680.3	0.2	-9.5	-18.2	0.0	-1.4
Public Administration	768.7	754.5	751.5	-3.0	-17.2	-11.0	-0.4	-2.2

\*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.







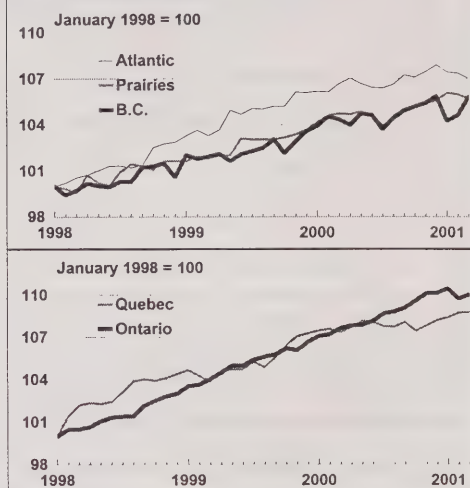
### Job gains are led by British Columbia and Ontario...

- Employment was up 22,000 in British Columbia in March, lowering its unemployment rate 0.7 points to 6.6%, a 20-year low. Gains were led by Health Care & Social Assistance and Construction.
- After falling by 38,000 in February, Ontario gained 16,000 jobs in March, all in part-time jobs. The unemployment rate remained at 6.1%. Employment edged up in Quebec, but a larger rise in the labour force raised its unemployment rate to 8.7%.
- Job gains in Saskatchewan and P.E.I. resulted in lower unemployment rates. In Newfoundland, higher employment was more than matched by an increase in the labour force, causing the unemployment rate to rise.

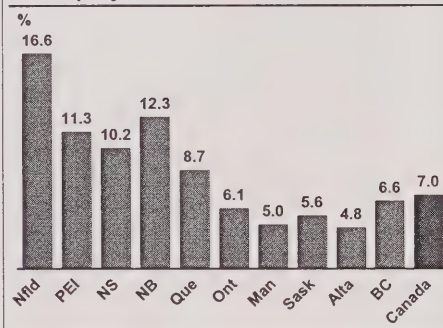
### ...but Alberta, New Brunswick and Nova Scotia post losses

- Losses in Accommodation & Food Services and Trade reduced employment by 9,000 in Alberta, and increased its unemployment rate to 4.8%. Employment edged down by 3,000 jobs in Nova Scotia and New Brunswick, raising their unemployment rates to 10.2% and 12.3% respectively. Employment was little changed in Manitoba.

### Regional employment patterns



### Unemployment Rates -- March 2001



### Provincial Employment and Unemployment Trends

	Employment (thousands)						Unemployment rate (%)		
	Levels	Change since last month		Change since last year			Levels	Change since last month	Change since last year
	2001 March	(000's)	%	(000's)	%		2001 March		
Canada	15,073.6	29.7	-0.2	230.6	1.6		7.0	0.1	0.2
Newfoundland	208.6	2.2	1.1	3.2	1.6		16.6	0.2	-0.9
P.E.I.	66.5	0.5	0.8	1.2	1.8		11.3	-0.4	-0.3
Nova Scotia	419.9	-2.9	-0.7	-0.2	-0.0		10.2	1.4	1.3
New Brunswick	330.1	-3.3	-1.0	-1.1	-0.3		12.3	0.7	2.0
Quebec	3,469.7	1.7	0.0	45.9	1.3		8.7	0.3	0.1
Ontario	5,954.4	15.7	0.3	129.3	2.2		6.1	0.0	0.5
Manitoba	557.3	-0.1	-0.0	6.0	1.1		5.0	0.5	-0.5
Saskatchewan	479.7	2.5	0.5	-10.8	-2.2		5.6	-0.1	0.9
Alberta	1,615.8	-8.8	-0.5	29.5	1.9		4.8	0.2	-0.2
B.C.	1,971.7	22.3	1.1	27.6	1.4		6.6	-0.7	-0.4





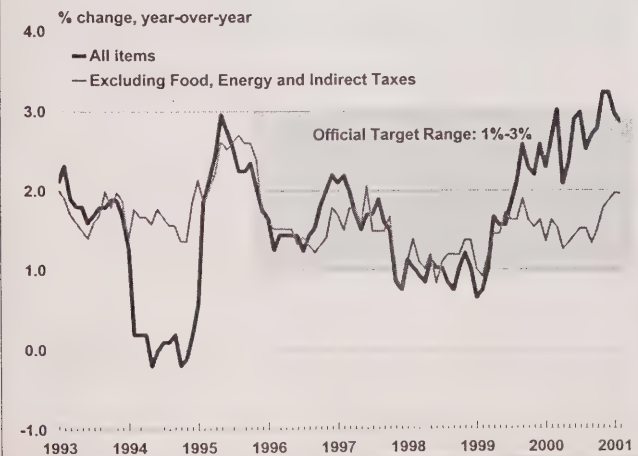
### Inflation edges down in February...

- The annual rate of CPI inflation fell to 2.9% in February. Higher energy and food prices accounted for almost half of the year-over-year rise in prices. Higher mortgage interest cost also exerted upward pressure on the index, while lower prices for motor vehicles, computer equipment & supplies, and video equipment had a dampening effect on the CPI.
- British Columbia's low inflation rate was due partly to the impact of one-time rebates for automotive insurance and electricity.

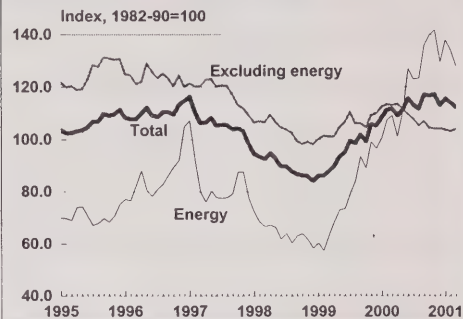
### ...but the "core" rate remains at the mid-point of the official target range

- The "core" rate of inflation, which excludes energy, food and indirect taxes, remained at 2.0% in February. This is the mid-point of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices were up 0.5% in March compared to a year ago. Prices for Energy commodities rose 17.2%, but non-energy commodity prices decreased 8.0% due to falling prices for ferrous metals and non-ferrous materials.

#### Consumer Price Index



#### Commodity Prices (\$U.S. basis)



#### Consumer Prices

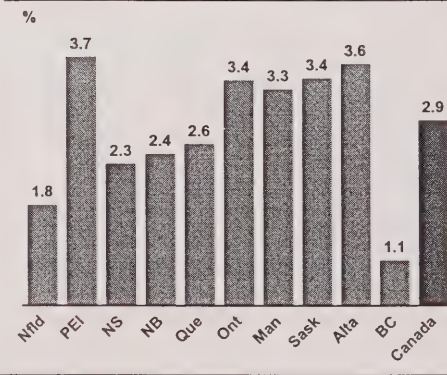
February 2001

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	115.2	0.4	2.9
Food	115.6	0.8	4.5
Shelter	110.8	-0.2	3.2
Household operations	111.0	0.5	1.6
Clothing & Footwear	106.5	1.6	1.1
Transportation	131.5	0.2	2.3
Health & Personal Care	113.6	0.4	2.3
Recreation, Educ. & Reading	122.9	1.2	2.5
Alcohol & Tobacco	99.4	0.2	3.1
Excl. Food/Energy/Indirect Taxes	114.8	0.5	2.0
Energy	129.9	-0.8	6.4

#### Commodity Prices (March)

Index, 1982-90=100	112.4	-1.5	0.5
Excluding Energy	104.0	0.7	-8.0
Energy	128.0	-4.6	17.2

#### Provincial CPI Inflation -- February 2001







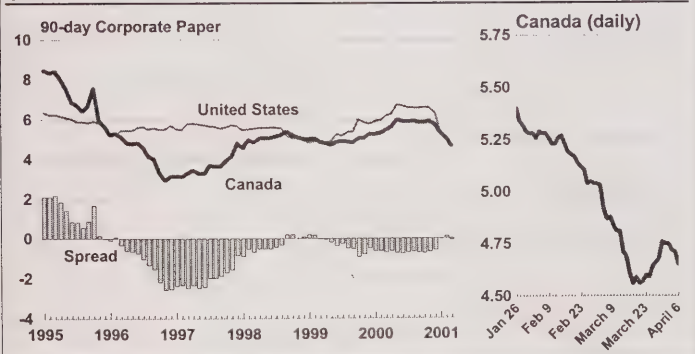
### Short-term interest rates fall in March...

- The Bank of Canada cut its trendsetting Bank Rate by 50 basis points to 5.25% on March 6. The next monetary policy announcement of the Bank of Canada is on April 17, with analysts widely expecting further cuts in interest rates.
- Market-determined short-term rates fell through most of the month as global stock market turmoil increased the demand for safe investments. However, short-term rates increased late in the month as Canada's depreciating dollar dampened market expectations of further interest rate cuts.

### ...but long-term yields rise

- The long-term interest rate closed April 4 at 5.80%, up 14 basis points from the end of February. Encouraging signs of recovery in the U.S. lowered expectations of future rate cuts and prompted a run-up in bond yields late in March.
- With Canadian and U.S. long-term bond yields both rising throughout the month, Canadian yields were 30 basis points above U.S. rates as of April 4.

#### Short-term Interest Rates

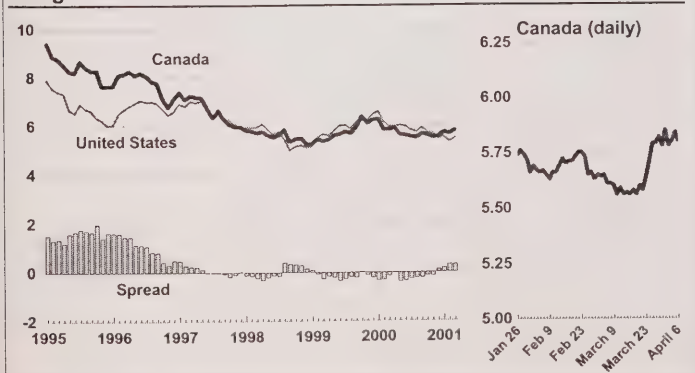


#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1998	5.02	0.09	5.23	0.14
1999	5.27	-0.49	6.23	-0.22
Oct 2000	5.85	-0.75	5.61	-0.14
Nov	5.89	-0.68	5.51	-0.15
Dec	5.71	-0.60	5.56	0.11
Jan 2001	5.29	-0.03	5.72	0.18
Feb	5.05	0.11	5.66	0.32
March	4.66	-0.08	5.79	0.32
April 4	4.72	0.02	5.80	0.30

A positive spread indicates that Canadian rates are above their U.S. counterparts.

#### Long-term Bond Yields



#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1998	5.25	6.75	6.20	6.60
1999	5.00	6.50	7.35	8.25
Oct 2000	6.00	7.50	7.90	8.25
Nov	6.00	7.50	7.90	8.25
Dec	6.00	7.50	7.70	7.95
Jan 2001	5.75	7.25	7.40	7.75
Feb	5.75	7.25	7.20	7.75
March	5.25	6.75	6.70	7.25
April 4	5.25	6.75	6.70	7.25





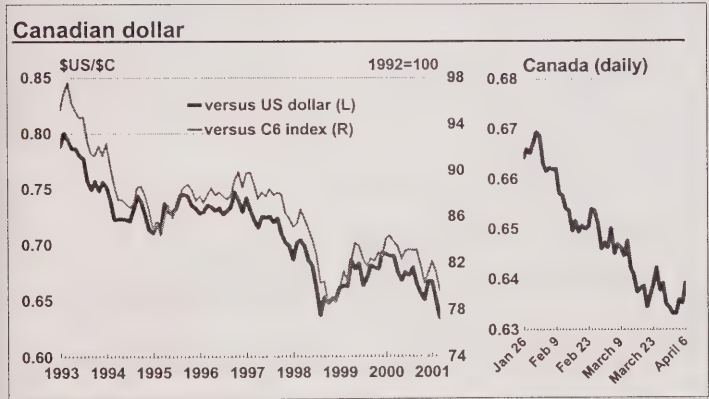


The Canadian dollar falls in March...

- Increasing concern over slowing global economic growth have prompted a flight to "safe haven" U.S. dollar denominated financial assets and boosted the value of the U.S. dollar. Like other currencies, the Canadian dollar in the first three months of 2001 has weakened against its U.S. counterpart.
- The dollar closed at US\$63.32 on April 2, its lowest level since August 1998. However, the Canadian currency gained strength in subsequent days with heightened prospects for further rate cuts in the U.S.

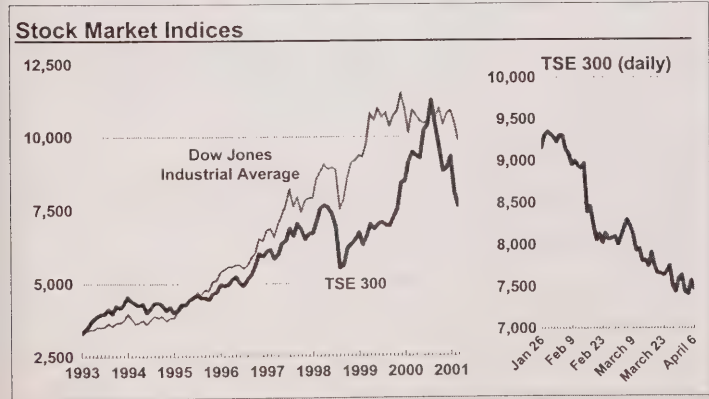
...and the TSE 300 index closed below 8,000

- The TSE 300 index lost 5.8% of its value in March, bringing year-over-year losses to 19.6%. A deteriorating profit outlook in most major sectors was the main reason behind the drop.
- The U.S. S&P 500 and Dow Jones indexes also lost ground in March.



The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1998	0.6522	78.71	1.082	75.91
1999	0.6929	82.67	1.313	69.66
Oct 2000	0.6568	81.87	1.517	71.70
Nov	0.6510	80.34	1.485	70.75
Dec	0.6669	81.19	1.433	73.64
Jan 2001	0.6672	82.15	1.387	77.67
Feb	0.6510	81.26	1.396	76.36
March	0.6344	79.62	1.382	77.95
April 6	0.6392			



Key Stock Market Indexes

		% change from		
	March Close	last month	last year	
TSE 300	7,608	-5.8	-19.6	
Oil & Gas	8,709	1.8	40.1	
Metals & Minerals	3,988	-2.7	12.5	
Utilities	13,329	-10.4	-19.5	
Paper & Forest	4,814	6.2	-8.6	
Merchandising	5,621	-1.0	25.9	
Financial Services	10,258	-2.0	35.6	
Gold	4,128	-5.3	4.1	
Price-Earnings Ratio*	19.7	-0.8	-13.4	
S&P 500	1,160	-6.4	-22.6	
Dow Jones	9,879	-5.9	-9.6	

\*columns 2 & 3 reflect change in levels



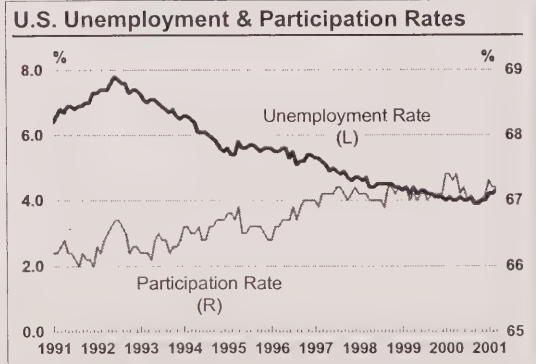
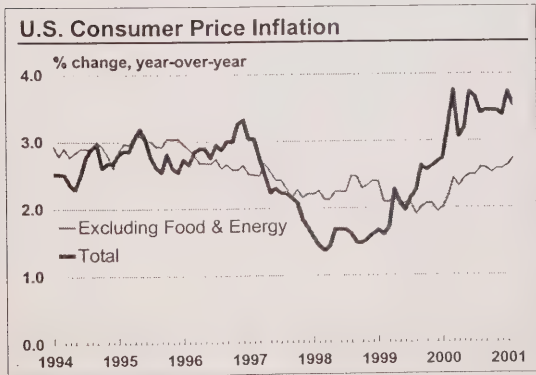
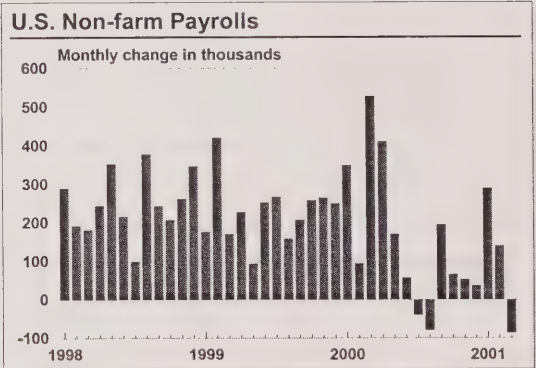
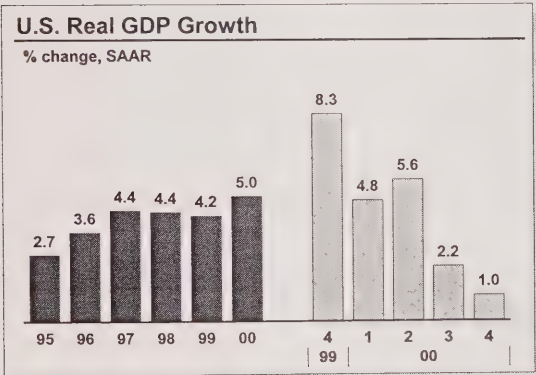


The U.S. economy slows in the fourth quarter...

- Final estimates show that growth in the U.S. slowed to 1.0% (annual rate) in the fourth quarter of 2000. Overall in 2000, the U.S. economy expanded 5.0%, the fourth straight year of growth in excess of 4%.
- U.S. employment fell by 86,000 in March, the largest monthly drop since November 1991. These losses, which were concentrated in the already weakened manufacturing sector and in retail trade, pushed the unemployment rate up to 4.3 percent, its highest level in 20 months. Still, consumer confidence rose in March after five straight months of decline.
- The U.S. trade deficit for January was \$33.3 billion, an increase of \$0.1 billion over December's revised total.

...and the Federal Reserve cuts interest rates

- In a widely anticipated move, the U.S. Federal Reserve lowered interest rates an additional 50 basis points at its March 20 meeting. The federal funds rate now stands at 5.0%, down 150 basis points from the beginning of the year.
- On a year-over-year basis, U.S. consumer prices were up 3.5% in February, while producer prices rose 4.0%. Inflation excluding food and energy prices was 2.7%, the highest rate since 1996.







CANADA

Next scheduled date for Bank Rate announcement .....	April 17
International Trade – February .....	April 18
Survey of Manufacturing – February .....	April 19
Consumer Price Index – March .....	April 20
GDP at factor cost – February .....	April 30
Business Conditions Survey – April .....	May 4
Labour Force Survey – April .....	May 11
National Economic & Financial Accounts – 1st Quarter 2001 .....	May 31
Balance of International Payments – 1st Quarter 2001 .....	May 31
Financial Statistics For Enterprises – 1st Quarter 2001 .....	June 7
Capacity Utilization Rates – 1st Quarter 2001 .....	June 11
Private and Public Investment Intentions – 2001 (revised) .....	July 18

UNITED STATES

Consumer Price Index – March .....	April 17
International Trade – February .....	April 18
GDP – 1st Quarter 2001, Advance .....	April 27
Employment Situation – April .....	May 4
Federal Open Market Committee meeting .....	May 15

Note: the April MEI uses data available as of April 6, 2001





# MONTHLY ECONOMIC INDICATORS

## May 2001

### HIGHLIGHTS

🍁 **Output edges lower in February, with a sharp decline in Manufacturing activity.**

🍁 **Employment bounces back in March and April after weakening early in the year.**

🍁 **Weak demand in North America reduces Canadian exports and imports in February.**

🍁 **The Bank of Canada and the U.S. Federal Reserve lower interest rates in April to boost their slowing economies.**

🍁 **Deeper rate cuts in the U.S. help support the Canadian dollar.**

### Key Monthly Economic Indicators

		% Change since		
		last month	last year	
Real GDP (\$92 B)	798.1	-0.1	3.1	Feb.
Goods	257.2	-0.0	1.4	Feb.
Services	540.8	-0.1	4.0	Feb.
Composite Index	166.6	-0.1	4.1	March
Employment (000's)	15,099	0.2	1.6	April
Full-time	12,376	0.2	1.8	April
Part-time	2,723	-0.0	0.6	April
Unemployment* (%)	7.0	7.0	6.8	April
Youth*	12.7	12.8	12.8	April
Adult*	5.9	5.9	5.6	April
CPI inflation*	2.5	2.9	3.0	March
Retail Sales (\$M)	23,642	-0.3	4.9	Feb.
Housing Starts (000's)	162.3	3.1	2.3	April
Trade Balance* (\$M)	6,670	5,867	3,641	Feb.
Exports	36,803	-4.5	8.5	Feb.
Imports	30,133	-2.8	1.9	Feb.
M&E	10,439	-5.0	6.0	Feb.
3-mth Corp. paper* (%)	4.50	4.66	5.62	May 2
Long bond yield* (%)	5.97	5.79	5.92	May 2
Canadian dollar* (US¢)	64.54	63.44	67.56	May 4

\*Data in levels only – % change not reported.

The "Monthly Economic Indicators" (MEI) provides a variety of economic analysis and data in a convenient format. The MEI does not interpret or evaluate government policies, and every attempt is made to present factual information in an informed and balanced manner consistent with generally accepted economic principles. It is available to all employees of Industry Canada in either hard or electronic copy, or can be accessed via the Internet at [http://strategis.ic.gc.ca/sc\\_ecnmy/mera/engdoc/03.html](http://strategis.ic.gc.ca/sc_ecnmy/mera/engdoc/03.html).



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Canada Canada

Canada





# MONTHLY ECONOMIC INDICATORS

## May 2001

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This report uses data available as of May 11, 2001. It has been prepared by Anik Dufour, Joe Macaluso, Arif Mahmud, Kiran Patel and Karen Smith of the Micro-Economic Analysis Directorate, under the direction of Raynald Létourneau and Shane Williamson. Translation has been provided by Lucie Larocque and Sue Hopf is responsible for production support. All information is taken from public sources, primarily Statistics Canada, the Bank of Canada and the Canada Mortgage and Housing Corporation. Please address comments to Shane Williamson at 613-995-8452 or through the Internet at [williamson.shane@ic.gc.ca](mailto:williamson.shane@ic.gc.ca).





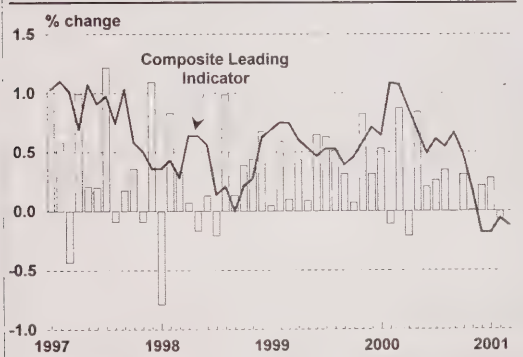
### Output falls slightly in February...

- Real GDP at factor cost declined 0.1% in February, following a 0.3% advance in January. Losses were registered in both the Goods and Services-producing industries. Statistics Canada's composite leading indicator was down for the fourth straight month in March.

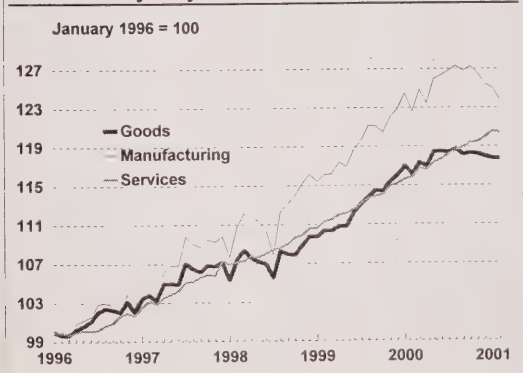
### ... due to weakness in Manufacturing and related Service industries

- Output in the Goods sector was flat in February, as a sharp drop in Manufacturing output -- due mainly to lower production of telecommunications equipment -- was offset by gains in other industries. Cooler winter temperatures led to a rebound in utilities' output, and Construction activity benefited from strength in both the residential and non-residential components. Mining activity also advanced in February, as high prices continue to support production in the oil patch.
- Services output edged down 0.1% in February. The slowdown in Manufacturing and international trade generally hit the Transportation & Storage industries, while Wholesale Trade was affected by weaker demand for computer and automotive products. The largest gain was in Communications, which registered increased use of long distance and cellular services.

Real GDP at Factor Cost



Real GDP by major sector



Real GDP at Factor Cost (1992 dollars)

	\$ millions	monthly change	% Change since last	
			month	year
<b>February 2001</b>				
Total Economy	798,059	-493	-0.1	3.1
Business sector	667,506	-582	-0.1	3.3
<b>Goods</b>	<b>257,249</b>	<b>-51</b>	<b>-0.0</b>	<b>1.4</b>
Agriculture	12,652	-18	-0.1	-3.0
Fishing & Trapping	641	-14	-2.1	-14.6
Logging & Forestry	4,410	188	4.5	-7.1
Mining*	28,245	192	0.7	4.3
Manufacturing	140,983	-1,319	-0.9	1.0
Construction	43,497	222	0.5	3.5
Other Utilities	26,821	698	2.7	1.3
<b>Services</b>	<b>540,810</b>	<b>-442</b>	<b>-0.1</b>	<b>4.0</b>
Transport & Storage	37,140	-427	-1.1	3.6
Communications	31,611	386	1.2	9.7
Wholesale Trade	51,917	-434	-0.8	6.0
Retail Trade	52,031	-261	-0.5	4.6
Finance & Insurance	44,079	-164	-0.4	1.3
Real Estate & Ins. Agent	84,274	219	0.3	3.0
Business services	51,686	105	0.2	8.0
Government services	48,427	78	0.2	4.3
Education	41,241	25	0.1	1.4
Health & Social Services	46,411	-44	-0.1	0.1
Accommodation & Food	21,731	-68	-0.3	5.7
Other	30,262	143	0.5	1.9

\*Includes Quarrying and Crude Petroleum & Natural Gas







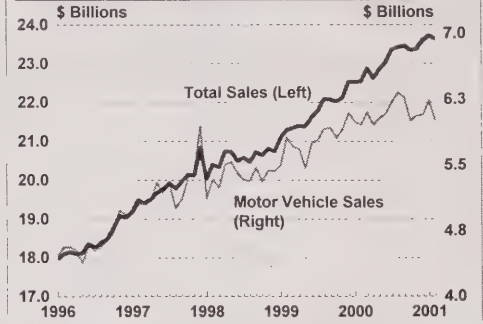
### Consumer spending slows in the fourth quarter of 2000...

- Growth in consumer spending slowed to 2.3% (annual rate) in the fourth quarter, down from average growth of 4.3% since the beginning of 1999.
- While spending on services and non-durable goods advanced at a solid pace, purchases of consumer durables fell 6.8% (annualized) in the fourth quarter. Motor vehicle sales fell back after dealer incentives boosted growth in the third quarter.

### ...but shows some signs of strength early in the new year

- Recent income gains have strengthened household finances and should support increased spending. Personal disposable income rose an annualized 9.7% in the fourth quarter, significantly faster than spending.
- Retail sales were down in February, but this followed three straight monthly increases. Monthly output figures show that Retail Trade averaged 1.2% higher in January and February than in the fourth quarter. Activity may strengthen further in March, given higher employment and early indications of a pick-up in auto sales.

### Total Retail and Motor Vehicle Sales



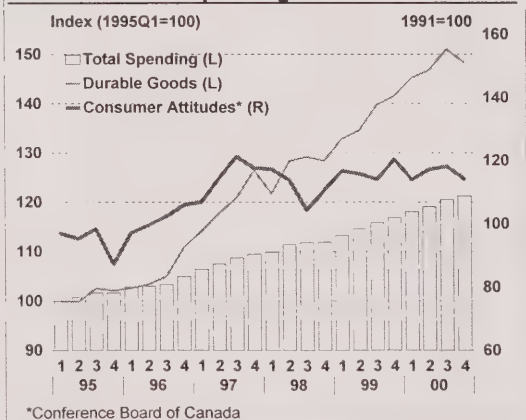
### Retail Sales and Consumer Credit

	\$ millions	% Change since	
		last month	last year
<b>February 2001</b>			
<b>Total Retail Sales (S.A.)</b>	23,642	-0.3	4.9
Food	5,254	2.4	5.5
Drug Stores	1,171	0.6	7.0
Clothing	1,298	-0.7	4.5
Furniture	1,325	-1.5	8.3
Automotive	9,342	-1.8	3.4
General Merch. Stores	2,706	-0.0	6.1
All other Stores	2,545	0.2	5.2
Total ex. motor vehicles	17,628	0.8	6.3
<b>Consumer Credit (unadjusted)</b>	198	1.1	10.0

### Real Consumer Spending and Household Finances

\$ Millions, SAAR (unless otherwise noted)	1999		2000	
	1999	2000	2000 Q3	2000 Q4
<b>Real Consumption (92\$)</b>	504,763	524,911	528,476	531,548
% change	3.5	4.0	5.0	2.3
<b>Durable Goods</b>	71,859	77,426	79,096	77,712
% change	8.1	7.7	12.2	-6.8
<b>Semi-Durable Goods</b>	47,103	49,364	49,984	50,104
% change	3.0	4.8	9.5	1.0
<b>Non-Durable Goods</b>	123,344	125,881	126,028	127,140
% change	2.1	2.1	1.9	3.6
<b>Services</b>	262,457	272,240	273,368	276,592
% change	3.0	3.7	3.6	4.8
<b>Disposable Income</b>	590,608	623,720	624,276	638,944
% change	4.0	5.6	2.7	9.7
<b>Saving Rate (%)</b>	3.7	3.2	2.3	3.5
<b>Debt-to-Income Ratio (%)</b>	96.1	95.7	96.2	95.1

### Real Consumer Spending and Attitudes







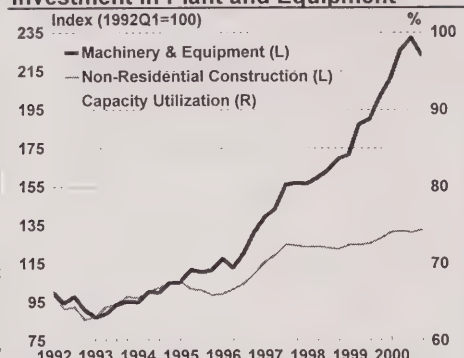
### Business investment falls in the fourth quarter...

- After posting strong advances earlier in the year, business investment in M&E fell 15.0% (annual rate) in the fourth quarter. Most categories of M&E registered a decline, including the first drop in spending on computers in three years.
- Non-Residential Construction activity increased 4.4% in the fourth quarter after a slight downturn in the previous period. Gains were concentrated in the engineering component, as improved weather conditions boosted drilling and rigging activity in the oil patch.

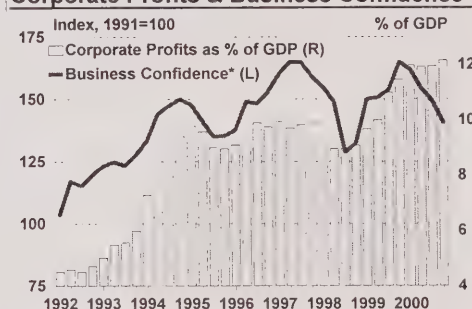
### ...but results are mixed for the first quarter

- Business confidence has fallen steadily since peaking late in 1999. Still, corporate profits rose strongly in 2000.
- Available data for the first quarter are mixed. Imports of M&E fell sharply in January and February. However, Non-Residential Construction activity continues to expand. Indeed, building permits reached a record high in the first quarter, up 20.4% from a year ago.

#### Investment in Plant and Equipment



#### Corporate Profits & Business Confidence



\*Conference Board of Canada

### Business Investment and Corporate Finances

\$ Millions, SAAR (unless otherwise noted)

	1999	2000	2000 Q1	2000 Q2	2000 Q3	2000 Q4
<b>BUSINESS INVESTMENT</b>						
Machinery & Equipment (1992\$)	75,557	89,846	85,060	91,024	93,512	89,788
% change	15.6	18.9	20.1	31.1	11.4	-15.0
Non-residential Construction (1992\$)	40,288	42,208	42,080	42,212	42,044	42,496
% change	2.0	4.8	10.5	1.3	-1.6	4.4
Capacity Utilization (%; Non-farm goods)	83.5	85.5	85.4	85.7	85.6	85.4
Capacity Utilization (Mfg. sector)	84.5	85.8	85.6	85.7	86.1	85.7
<b>CORPORATE FINANCES &amp; ATTITUDES</b>						
Corporate Operating Profits	174,317.0	211,219.0	207,200.0	210,112.0	211,476.0	216,088.0
% change	22.5	21.2	42.1	5.7	2.6	9.0
Profits - Non-financial industries	123,372.0	147,490.0	141,936.0	145,944.0	149,132.0	152,948.0
% change	30.0	19.5	21.0	11.8	9.0	10.6
Profits - Financial industries	50,945.0	63,728.0	65,264.0	64,168.0	62,340.0	63,140.0
% change	7.5	25.1	106.2	-6.6	-10.9	5.2
Business Credit	734,357.4	787,030.4	764,718.0	783,001.7	793,017.3	807,384.7
% change	5.8	7.2	6.0	9.9	5.2	7.4





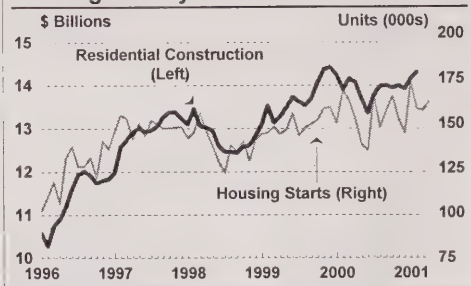
### Activity in the housing sector pauses in the fourth quarter...

- Residential Construction activity paused in the fourth quarter. The slight decline in output was due mainly to a fall in new housing construction, as there was a slight gain in renovation activity.
- The housing sector was volatile in 2000, but advanced 1.6% overall.

### ...but has strengthened so far in 2001

- The outlook for the housing sector is generally positive. Residential Construction rose 1.1% in February, and output in the first two months of 2001 was 2.0% higher than the fourth quarter average. Residential building permits were up 9.4% in the first three months of 2001 compared to a year ago.
- Despite the slowing economy, the effects of lower mortgage rates, favourable labour market conditions and rising migration should all support residential construction. The Canada Mortgage and Housing Corporation expects housing starts to rise further this year and remain strong in 2002.

### Housing Activity



### Monthly Housing Indicators

	levels	Change since	
		last month	last year
<b>Residential Construction (1)</b> (\$92M, factor cost basis)	14,312	1.1%	2.9%
<b>Building Permits, \$M (2)</b>	1,692	-13.5%	-0.8%
<b>Sales of Existing Homes (2)</b> (# of units)	20,670	-155	
<b>Housing Starts, # of units (3)</b>	162,300	4,900	3,700
Newfoundland	800	400	-600
Prince Edward Island	300	-100	100
Nova Scotia	3,500	2,300	500
New Brunswick	1,500	-300	-400
Quebec	21,900	100	2,400
Ontario	68,600	-5,500	-2,000
Manitoba	2,200	600	400
Saskatchewan	1,500	-100	-100
Alberta	24,800	4,100	3,500
British Columbia	15,000	2,600	1,000

1 - February data; 2 - March data; 3 - April data

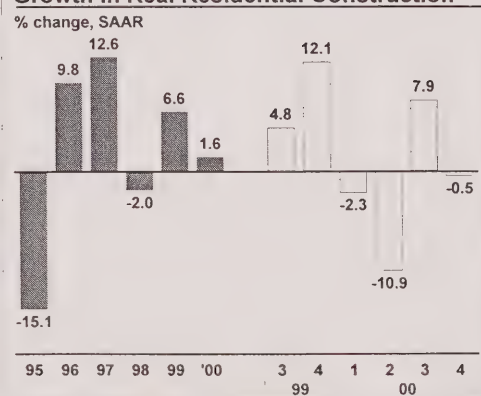
Sources: Statistics Canada, Canada Mortgage and Housing Corporation, Canadian Real Estate Association

### Real Investment in Residential Structures

\$92 Millions, SAAR (unless otherwise noted)

	1999	2000	2000 Q3	2000 Q4
<b>Residential Construction</b>	44,259	44,936	45,052	44,988
% change	6.6	1.5	7.8	-0.6
<b>Construction by Business sector</b>	43,983	44,676	44,788	44,736
% change	6.6	1.6	7.9	-0.5
<b>New Housing</b>	22,258	22,144	22,036	21,980
% change	7.5	-0.5	5.7	-1.0
<b>Alterations &amp; Improvements</b>	14,399	15,207	15,316	15,320
% change	5.6	5.6	5.7	0.1
<b>Ownership &amp; Transfer Costs</b>	7,259	7,585	7,700	7,688
% change	1.1	4.5	18.8	-0.6

### Growth in Real Residential Construction









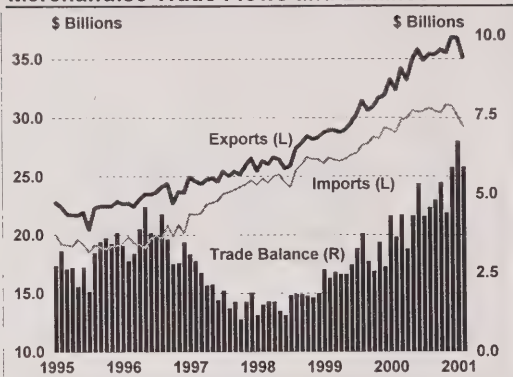
### Sharp declines in both imports and exports...

- Exports dropped 4.5% in February, with two-thirds of this decline due to lower sales to the U.S. The decline was widespread, but led by lower exports of M&E – including a sharp fall in optical networks and wireless communications equipment. Exports of Energy Products also fell sharply, owing in part to lower prices for natural gas.
- Imports fell 2.8% on the month. Reduced demand for computer chips and semiconductors resulted in a sharp decline in M&E imports. Imports of Energy Products were down due to a sharp drop in crude petroleum imports.

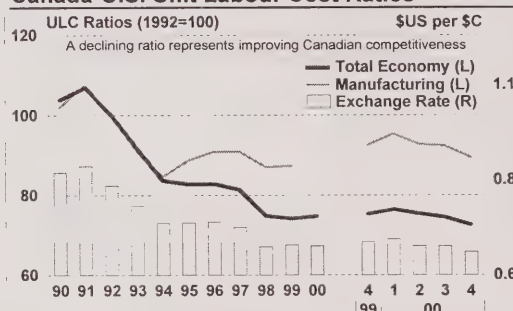
### ...lead to a lower trade surplus

- With exports falling faster than imports, Canada's merchandise trade surplus fell to \$5.9 billion in February. This is down from a record high the previous month.

#### Merchandise Trade Flows and Balance



#### Canada-U.S. Unit Labour Cost Ratios



Source: Industry Canada compilations based on data from Statistics Canada and the U.S. Bureau of Labor Statistics

#### Merchandise Trade

Merchandise Trade							
February 2001	Levels (\$ millions)		Year-to-date (\$ millions)		Change (\$M)	% Change	
	January 2001	February 2001	2000 Jan-Feb	2001 Jan-Feb		Jan to Feb 2001	Jan to Feb 2001
Exports	36,803	35,144	65,636	71,947	-1,659	-4.5	8.5
to United States	31,869	30,745	56,137	62,614	-1,124	-3.5	11.7
Imports	30,133	29,277	57,695	59,410	-856	-2.8	1.9
from United States	21,707	21,646	43,240	43,353	-61	-0.3	0.2
Trade Balance	6,670	5,867	7,941	12,537	-803		
with United States	10,162	9,099	12,897	19,261	-1,063		
<b>Exports by Commodity</b>							
Agriculture/Fishing Products	2,407	2,362	4,351	4,769	-45	-1.9	9.1
Energy Products	6,222	5,808	6,894	12,030	-414	-6.7	57.2
Forestry Products	3,332	3,219	7,030	6,551	-113	-3.4	-6.9
Industrial Goods & Materials	5,572	5,358	10,253	10,930	-214	-3.8	4.2
Machinery & Equipment	9,281	8,521	15,725	17,802	-760	-8.2	9.0
Automotive Products	7,405	7,206	16,667	14,611	-199	-2.7	-7.0
Other Consumer Goods	1,301	1,317	2,320	2,618	16	1.2	13.7
<b>Imports by Commodity</b>							
Agriculture/Fishing Products	1,644	1,621	3,008	3,265	-23	-1.4	8.9
Energy Products	1,839	1,438	2,556	3,277	-401	-21.8	5.7
Forestry Products	256	245	484	501	-11	-4.3	3.8
Industrial Goods & Materials	5,942	6,046	11,185	11,988	104	1.8	7.5
Machinery & Equipment	10,439	9,922	18,982	20,361	-517	-5.0	6.0
Automotive Products	5,507	5,445	13,025	10,952	-62	-1.1	-16.0
Other Consumer Goods	3,494	3,440	6,316	6,934	-54	-1.5	10.4



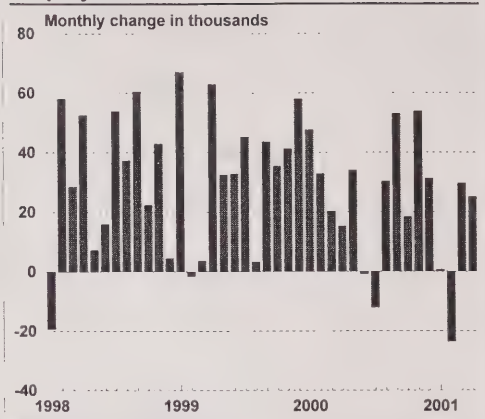


## Employment and Unemployment

### *Employment rises for the second straight month in April...*

- After weakening in January and February, employment has rebounded in the past two months. Employment rose 25,000 in April, bringing gains over the past two months to 55,000 – an encouraging signal on the state of the economy.
- The April job gains were due entirely to an increase in full-time work, as part-time employment edged down.
- Youth employment posted a solid advance, accounting for almost half of the total increase.

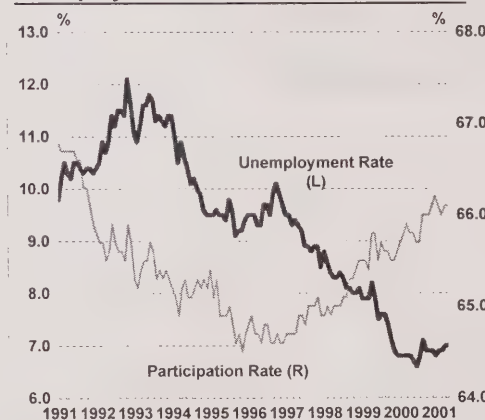
### Employment



### *...but the unemployment rate holds steady at 7.0%*

- The national unemployment rate was unchanged at 7.0% in April, as job growth was offset by a corresponding rise in the labour force.
- Employment gains lowered the youth unemployment rate 0.1 percentage points to 12.7%. The adult unemployment rate was unchanged at 5.9%.

### Unemployment Rate



### Labour Force Trends

(in thousands)	Levels			Change since			% Change since	
	2000 April	2001 March	2001 April	last month	last year	year-to- date	last month	last year
Employment	14,858.4	15,073.6	15,098.8	25.2	240.4	32.1	0.2	1.6
Full-time	12,151.5	12,350.3	12,375.8	25.5	224.3	18.3	0.2	1.8
Part-time	2,707.0	2,723.3	2,723.0	-0.3	16.0	13.8	-0.0	0.6
Youth 15-24	2,271.8	2,323.6	2,335.7	12.1	63.9	-8.7	0.5	2.8
Adult 25+	12,586.6	12,750.0	12,763.1	13.1	176.5	40.8	0.1	1.4
Self-employed	2,404.6	2,331.7	2,334.3	2.6	-70.3	-29.5	0.1	-2.9
Unemployment	1,081.6	1,142.8	1,138.9	-3.9	57.3	35.6	-0.3	5.3
Unemployment Rate	6.8	7.0	7.0	0.0	0.2	0.2		
Youth 15-24	12.8	12.8	12.7	-0.1	-0.1	0.2		
Adult 25+	5.6	5.9	5.9	0.0	0.3	0.2		
Labour Force	15,940.0	16,216.4	16,237.7	21.3	297.7	67.7	0.1	1.9
Participation Rate	65.8	66.1	66.1	0.0	0.3	-0.1		
Employment Rate	61.4	61.5	61.5	0.0	0.1	-0.2		





## Industry Overview

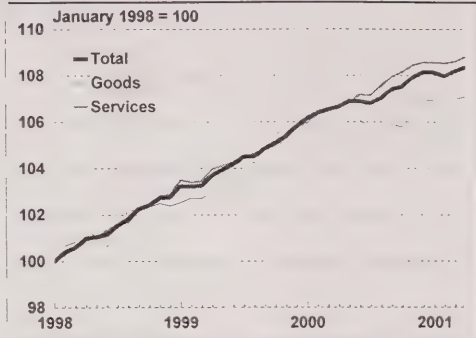
### *Strength in Services offsets continuing weakness in Manufacturing...*

- Employment in the Goods sector increased by 4,000 in April. Manufacturing employment was little changed for the second month in a row, following losses of 32,000 in the first two months of the year. Elsewhere, Construction registered its sixth straight gain, largely offsetting the loss of 8,000 jobs in Natural Resources.
- Employment in Services increased by 21,000 in April, led by gains in Public Administration and Finance, Insurance, Real Estate & Leasing. Notable losses were posted by Health Care & Social Assistance and Management, Administrative & Other Support Services (which has been particularly weak this year).

### *...and private sector job growth is sustained*

- Paid employment in the private sector was up 16,000 in April. Self-employment edged up on the month, but is down 70,000 compared to a year ago.
- The public sector gained 7,000 jobs in April, though employment is down on a year-to-date basis.

### Employment by major sector



### Employment growth by worker category



### Industrial Employment Trends

(in thousands)	Levels			Change since			% Change since	
	2000 April	2001 March	2001 April	last month	last year	year-to-date	last month	last year
<b>Goods-producing</b>	3,881.9	3,893.3	3,897.2	3.9	15.3	6.8	0.1	0.4
Agriculture	383.7	337.6	340.9	3.3	-42.8	-6.6	1.0	-11.2
Natural Resources*	285.0	295.1	287.1	-8.0	2.1	9.3	-2.7	0.7
Utilities	115.4	117.7	120.2	2.5	4.8	2.5	2.1	4.2
Construction	816.9	844.1	849.9	5.8	33.0	31.1	0.7	4.0
Manufacturing	2,281.0	2,298.8	2,299.1	0.3	18.1	-29.6	0.0	0.8
<b>Services-producing</b>	10,976.5	11,180.3	11,201.6	21.3	225.1	25.4	0.2	2.1
Trade	2,296.0	2,338.0	2,345.7	7.7	49.7	-9.0	0.3	2.2
Transportation	782.3	782.9	783.2	0.3	0.9	-4.7	0.0	0.1
FIRE*	860.6	869.7	880.9	11.2	20.3	-1.1	1.3	2.4
Professional/Scientific	919.7	1,013.3	1,022.2	8.9	102.5	33.5	0.9	11.1
Management/Administrative	538.8	549.9	539.1	-10.8	0.3	-20.1	-2.0	0.1
Educational Services	981.7	962.9	966.0	3.1	-15.7	13.8	0.3	-1.6
Health Care/Social Assistance	1,529.7	1,547.0	1,534.1	-12.9	4.4	10.2	-0.8	0.3
Information/Culture/Recreation	639.6	707.0	706.2	-0.8	66.6	5.5	-0.1	10.4
Accommodation & Food	966.2	977.8	975.5	-2.3	9.3	9.7	-0.2	1.0
Other Services	684.3	680.3	681.3	1.0	-3.0	-17.2	0.1	-0.4
Public Administration	777.7	751.5	767.4	15.9	-10.3	4.9	2.1	-1.3

\*Natural Resources: Forestry, Fishing, Mining, Oil & Gas; Transportation includes warehousing; FIRE: Finance, Insurance, Real Estate & Leasing.







## Provincial Overview

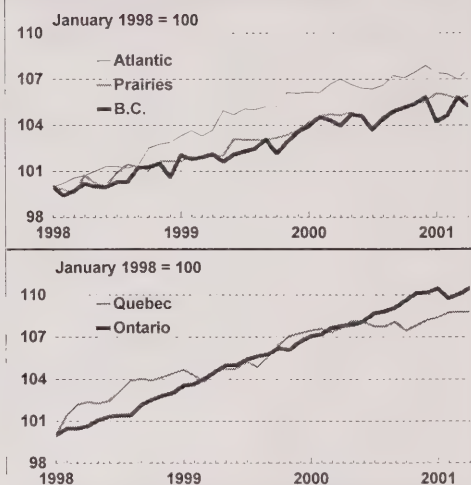
### Job gains are led by Ontario and Alberta...

- Employment was up 24,000 in Ontario in April, lowering the unemployment rate to 5.9%. Job gains in the past two months have now completely offset a sharp loss in February. Employment in Alberta has increased in eight of the past nine months.
- New Brunswick and Newfoundland posted the largest percentage increases in employment among the provinces. While New Brunswick's gains did not offset losses in the previous two months, its unemployment rate fell 1.2 points to 11.1%. In Newfoundland, the labour force rose twice as fast as employment, raising the unemployment rate 0.7 points to 17.3%.

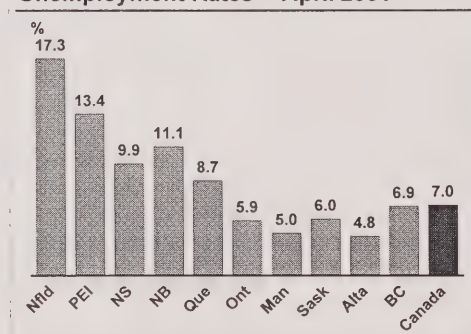
### ...but British Columbia, Saskatchewan, Manitoba & P.E.I. post losses

- In percentage terms, Saskatchewan and P.E.I. had the largest job losses in April. Saskatchewan's unemployment rate rose 0.4 points to 6.0%, while that of P.E.I. increased 2.1 points to 13.4%. Job losses pushed up the B.C. unemployment rate 0.3 points to 6.9%, but Manitoba's rate was unchanged at 5.0% despite lower employment.
- Labour market conditions were little changed in Quebec and Nova Scotia in April.

### Regional employment patterns



### Unemployment Rates -- April 2001



### Provincial Employment and Unemployment Trends

	Employment (thousands)					Unemployment rate (%)		
	Levels	Change since last month		Change since last year		Levels	Change since	
	2001						last	last
	April	(000's)	%	(000's)	%		month	year
Canada	15,098.8	25.2	0.2	240.4	1.6	7.0	0.0	0.2
Newfoundland	211.4	2.8	1.3	5.5	2.7	17.3	0.7	0.8
P.E.I.	65.3	-1.2	-1.8	-0.1	-0.2	13.4	2.1	1.8
Nova Scotia	420.1	0.2	0.0	-1.0	-0.2	9.9	-0.3	1.6
New Brunswick	334.8	4.7	1.4	1.8	0.5	11.1	-1.2	0.6
Quebec	3,470.3	0.6	0.0	35.3	1.0	8.7	0.0	-0.1
Ontario	5,978.0	23.6	0.4	144.0	2.5	5.9	-0.2	0.4
Manitoba	555.4	-1.9	-0.3	-0.8	-0.1	5.0	0.0	0.0
Saskatchewan	475.4	-4.3	-0.9	-12.2	-2.5	6.0	0.4	1.1
Alberta	1,626.8	11.0	0.7	44.2	2.8	4.8	0.0	-0.3
B.C.	1,961.3	-10.4	-0.5	23.7	1.2	6.9	0.3	0.0





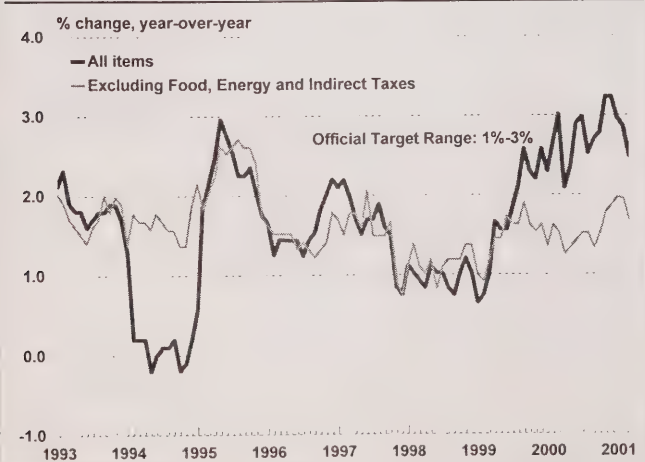
### Inflation drops to 2.5% in March...

- Consumer price inflation fell to 2.5% in March, the lowest rate since last August. Higher prices for food accounted for more than one-third of the overall rise. Energy prices also contributed, but posted their lowest annual increase in nearly two years. The impact of sharply-higher natural gas prices was tempered by lower prices for gasoline and electricity.
- Lower prices for air transportation, motor vehicles and computer products were the main offsetting forces nationally. The remaining portion of a \$200 electricity rebate lowered the B.C. inflation rate again in March.

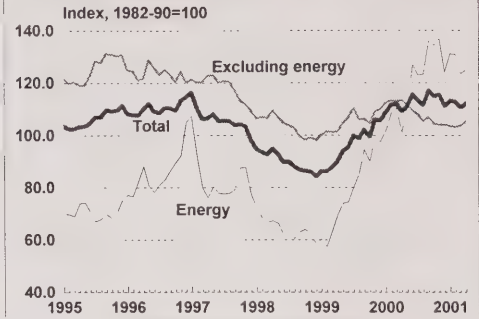
### ...and the "core" rate falls below the mid-point of the official target range

- The "core" rate of inflation, which excludes energy, food and indirect taxes, dropped to 1.7% in March. This is down from 2.0% in January and February, the mid-point of the 1%-3% target range set jointly by the Bank of Canada and the Department of Finance.
- Commodity prices were up 2.7% in April compared to a year ago. Prices for energy commodities rose 23.5%, but non-energy commodity prices decreased 7.2% due to falling prices for ferrous materials and non-ferrous metals.

### Consumer Price Index



### Commodity Prices (\$U.S. basis)



### Consumer Prices

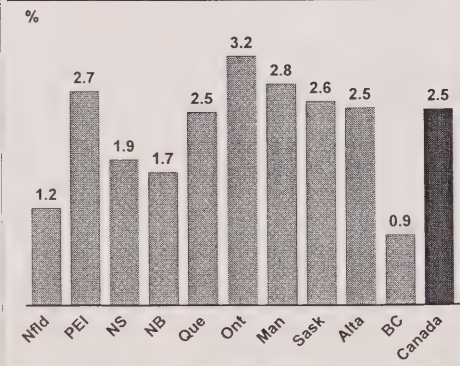
March 2001

	Index (1992=100)	% Change since	
		last month	last year
All items CPI	115.6	0.3	2.5
Food	116.6	0.9	5.0
Shelter	111.9	1.0	4.1
Household operations	111.3	0.3	1.5
Clothing & Footwear	107.9	1.3	1.3
Transportation	130.1	-1.1	-0.8
Health & Personal Care	113.5	-0.1	2.3
Recreation, Educ. & Reading	123.5	0.5	2.2
Alcohol & Tobacco	99.4	0.0	2.8
Excl. Food/Energy/Indirect Taxes	114.9	0.1	1.7
Energy	131.6	1.3	3.6

### Commodity Prices (April)

Index, 1982-90=100	112.2	1.4	2.7
Excluding Energy	105.3	1.4	-7.2
Energy	124.9	1.1	23.5

### Provincial CPI Inflation -- March 2001







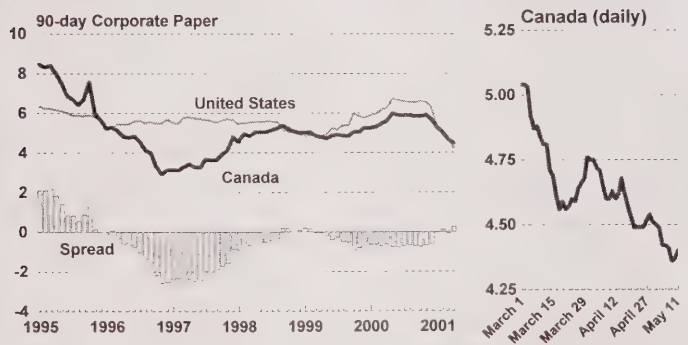
### Short-term interest rates fall further in April...

- The Bank of Canada cut its trendsetting Bank rate by 25 basis points to 5.0% on April 17. Although underlying domestic fundamentals remain strong, the U.S. slowdown has spilled over into Canada and caused the economy to operate below potential. Should this weakness persist, some analysts expect a further interest rate cut on May 29, the Bank's next scheduled announcement date.
- Mortgage rates and the Prime Lending rate have fallen steadily between January and April, in line with cuts in the Bank Rate. As U.S. rates have fallen faster, Canadian short-term rates have risen above corporate U.S. yields.

### ...but long-term yields rise

- Lower short rates have contributed to a modest rebound in stock prices, and induced investors to switch from bonds back to equities. This has led to a steepening yield curve, with long rates rising nearly 20 basis points in April while short rates fell back.

#### Short-term Interest Rates

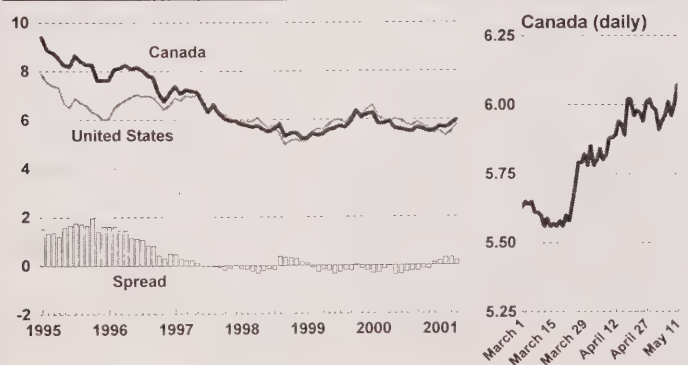


#### Key Money Market Rates

(end of period)	90-day Corporate Paper	spread against U.S.	Long Bond Yield	spread against U.S.
1999	5.27	-0.49	6.23	-0.22
2000	5.71	-0.60	5.56	0.11
Nov 2000	5.89	-0.68	5.51	-0.15
Dec	5.71	-0.60	5.56	0.11
Jan 2001	5.29	-0.03	5.72	0.18
Feb	5.05	0.11	5.66	0.32
March	4.66	-0.08	5.79	0.32
April	4.49	0.25	5.97	0.19
May 2	4.50	0.30	5.98	0.27

A positive spread indicates that Canadian rates are above their U.S. counterparts.

#### Long-term Bond Yields



#### Key Lending Rates

(end of period)	Bank Rate	Prime Lending Rate	Mortgage Rate 1 year	Mortgage Rate 5 year
1999	5.00	6.50	7.35	8.25
2000	6.00	7.50	7.70	7.95
Nov 2000	6.00	7.50	7.90	8.25
Dec	6.00	7.50	7.70	7.95
Jan 2001	5.75	7.25	7.40	7.75
Feb	5.75	7.25	7.20	7.75
March	5.25	6.75	6.70	7.25
April	5.00	6.50	6.80	7.50
May 2	5.00	6.50	6.80	7.50







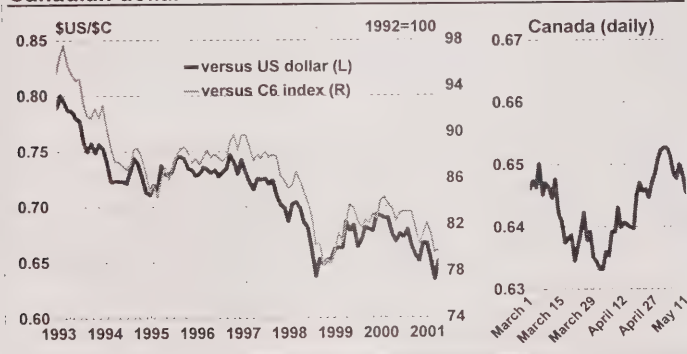
### The Canadian dollar regains some lost ground in April...

- The Canadian dollar weakened against its U.S. counterpart over the first three months of 2001. The safety and liquidity of U.S. financial markets combined with bargain hunting in equity markets to strengthen the U.S. dollar against most major currencies.
- The Canadian dollar has gained just over two cents since the end of March, however, rising from a low of US\$63.32 in early April to US\$65.54 on May 11. This recovery was fuelled by expectations that U.S. rates would be cut more aggressively in the future than Canadian rates.

### ...and stock markets rebound

- The TSE 300 index rose 4.5% in April, closing near the 8000 mark. While the overall index is still down 15.0% compared to a year ago, most major sub-indices are higher. Corporate profits are expected to improve in the second half of the year.
- In the U.S., the S&P 500 and Dow Jones indexes were also higher in April, boosted by a further cut in the Fed Funds rate.

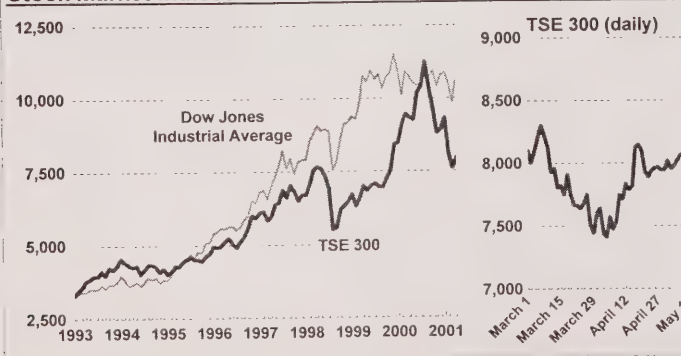
#### Canadian dollar



#### The Canadian Dollar

(close)	\$US vs. \$Cdn	index vs. C-6 (92=100)	DM vs. \$Cdn	yen vs. \$Cdn
1999	0.6929	82.67	1.313	69.66
2000	0.6669	81.19	1.433	73.64
Nov 2000	0.6510	80.34	1.485	70.75
Dec	0.6669	81.19	1.433	73.64
Jan 2001	0.6672	82.15	1.387	77.67
Feb	0.6510	81.26	1.396	76.36
March	0.6344	79.62	1.382	77.95
April	0.6508	79.85	1.406	79.44
May 11	0.6454			

#### Stock Market Indices



#### Key Stock Market Indexes

	April Close	% change from last month	% change from last year
TSE 300	7,947	4.5	-15.0
Oil & Gas	9,454	8.6	42.7
Metals & Minerals	4,702	17.9	35.5
Utilities	13,789	3.4	-12.1
Paper & Forest	5,107	6.1	-14.1
Merchandising	5,861	4.3	21.4
Financial Services	9,766	-4.8	26.0
Golds	4,639	12.4	10.3
Price-Earnings Ratio*	23.5	3.8	-4.9
S&P 500	1,249	7.7	-14.0
Dow Jones	10,735	8.7	0.0

\*columns 2 & 3 reflect change in levels





## U.S. Economic Trends

### *The U.S. economy rebounds in the first quarter...*

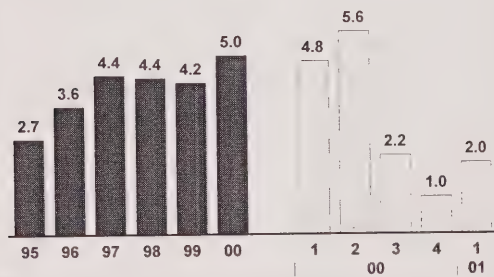
- Advance estimates indicate that U.S. real GDP grew a faster than expected 2.0% (annual rate) in the first quarter of 2001. This reflects higher consumer spending -- backed by rising personal incomes -- and increases in residential and nonresidential construction. However, business investment weakened, with purchases of technology equipment falling for the first time in a decade. Inventories posted their largest decline on record, paving the way for future output gains.
- U.S. unemployment rose to 4.5% in April, the highest rate in over two and a half years, as payroll employment fell by 223,000. While Manufacturing sustained further job losses, lower inventories and a rise in new orders point to a possible recovery. Consumer confidence fell for the sixth time in seven months, but still remains above recession levels.

### *...and the Federal Reserve cuts interest rates again*

- The U.S. Federal Reserve announced a surprise 50 basis point cut in its key rate on April 18th, bringing the total decline since the beginning of the year to 200 points. The move was prompted by concern over weak business investment and the potential impact of lower stock prices on consumer confidence.
- Consumer prices were up 2.9% in March on a year-over-year basis, the smallest increase in over a year. Lower productivity led to higher unit labour costs in the first quarter, but this is viewed mainly as a cyclical phenomenon.

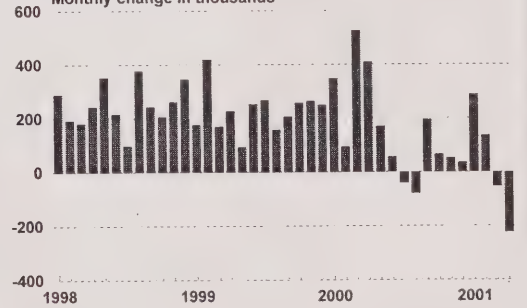
#### U.S. Real GDP Growth

% change, SAAR



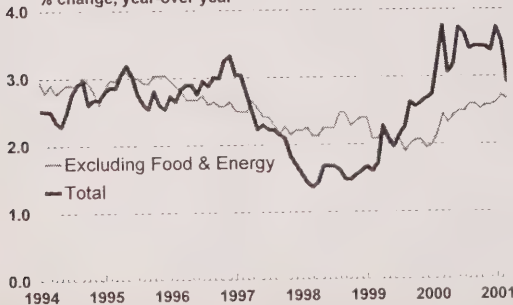
#### U.S. Non-farm Payrolls

Monthly change in thousands



#### U.S. Consumer Price Inflation

% change, year-over-year



#### U.S. Unemployment & Participation Rates





**CANADA**

Survey of Manufacturing – March .....	May 16
Consumer Price Index – April .....	May 17
International Trade – March .....	May 18
Next scheduled date for a bank rate announcement .....	May 29
GDP at factor cost – March .....	May 31
National Economic & Financial Accounts – 1st Quarter 2001 .....	May 31
Balance of International Payments – 1st Quarter 2001 .....	May 31
Financial Statistics For Enterprises – 1st Quarter 2001 .....	June 7
Labour Force Survey – May .....	June 8
Capacity Utilization Rates – 1st Quarter 2001 .....	June 11
Private and Public Investment Intentions – 2001 (revised) .....	July 18
Business Conditions Survey – July .....	August 2

**UNITED STATES**

Consumer Price Index – April .....	May 16
International Trade – March .....	May 18
GDP – 1st Quarter 2001, Preliminary .....	May 25
Employment Situation – May .....	June 1
Federal Open Market Committee meeting .....	June 26, 27

Note: the May MEI uses data available as of May 11, 2001













